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IN THE

Supreme Court of the United States

October Term, 1952.

No. 344

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,

Petitioner,

AGAINST

A. B. DICK COMPANY,

Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit.

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IN THE

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OCTOBER TERM, 1952

No. .....

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,
Petitioner,

VERSUS

A. B. DICK COMPANY,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Petitioner prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit, decided on May 26th, 1952, and confirmed upon rehearing July 24, 1952, dismissing the appeal from two orders of the United States District Court for the Southern District of New York, both entered on January 3, 1951, (1) Order answering in the negative the question "Whether respondent's prosecution of the instant case may not constitute a fraud upon the Courts, and further ordering that defendant (Marr's) cross-petition to set aside the decree and judgment on the

ground of fraud be in all respects denied. (2) Order dismissing the action upon plaintiff's motion, with prejudice, without costs.[1-2]

These two orders were entered pursuant to an opinion of Judge Harold R. Medina, filed on December 8, 1950,[3] answering in the negative the question propounded by this Honorable Court to the United States Circuit Court of Appeals for the Second Circuit—"Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts."[4]

Basis of Jurisdiction.

Jurisdiction is invoked under Section 1254 (1) of Title 28 of the United States Code.

The opinion of the United States Court of Appeals for the Second Circuit was decided, as stated, on May 26, 1952. Petition for rehearing was duly filed on June 23, 1952, and an order denying the petition was entered on July 22, 1952.[5] An order staying the mandate for sixty (60) days pending the application for Writ of Certiorari to this Court, and further staying the said Mandate pending determination of the cause by this Court, was entered on July 25, 1952.[6]

Opinion Court of Appeals.[7]

The opinion holds:

1. That the granting of plaintiff's (respondent's) motion to dismiss its entire case and the entry

1. Printed M. App. Vol. I, pp. 273-274, 275.
2. For convenience the Appendix to the brief of Petitioner, Marr, will be referred to as "M. App.," and the Appendix to the brief of Respondent, Dick, will be referred to as "D. App."
3. *Dick* v. *Marr*, 95 F. Supp. 83; also Printed M. App. Vol. I, pp. 231, 272.
4. *Marr* v. *Dick*, 329 U. S. 680.
5. Printed D. App. Vol. II, pp. 1139-1169.
6. Printed D. App. Vol. II, p. 1170.
7. Printed D. App. Vol. II, pp. 1130-1138, reported 197 F. (2) 498, Adv. Sheet No. 3, August 18, 1952.

of an order of dismissal thereon with prejudice, vitiated and annulled all prior proceedings and orders in the case, and terminated jurisdiction over it for the reason that the case has become moot".

2. That the dismissal gave the defendant (petitioner) "all the relief, and the only relief, to which he would be entitled had the allegation of fraud been sustained, and the court below, instead of finding as it did, had found that the plaintiff (respondent) had been guilty of perpetrating a fraud upon the courts and in consequence had ruled that the plaintiff (respondent) had come into court with unclean hands."

3. That "even if the case were not moot" all that defendant (petitioner) could recover would be "ordinary costs".

4. That in an appeal such as this "it is primarily the function of law officers of the United States, serving as *amici,* * * * to protect the public interest by rendering impartial assistance to the courts in uncovering and punishing frauds upon the courts, and that it is the function of a party in cases like this to raise and prosecute such accusations primarily in his own interest, and only secondarily, in the interest of the public. A Party's minor role as protector of the public interest in these cases does not seem to us enough to prevent this case from being moot".

5. That failure to ask for an award of anything more than ordinary costs barred defendant (petitioner) from taking an appeal.

6. That a "mere general claim for damages asserted in a counterclaim "allowed to lie completely

fallow for twenty-three years, is not enough to keep this litigation alive".

7. That on this appeal, this court is concerned "merely with a civil suit for patent infringement wherein the only relief which could be afforded in the event of a finding of fraud would be to apply the clean hands doctrine and dismiss the case * * * ".

8. That there exists "some slight doubt as to whether we are authorized by our respective designations of the Chief Justice to act as Circuit Judges of the Second Circuit to go beyond the disposition of the immediate case before us and initiate on our own volition proceedings in the Second Circuit of a nature appropriate to unearth, and, if found to exist to punish, the alleged frauds upon the courts".

9. "That the charges examined into below were made by the defendants in several other suits brought by the present plaintiff (respondent) in this and other circuits for alleged infringement of the Hill patent, but never in any case were the charges substantiated."

Summary Statement of Matters Involved.

The questions presented below for this Court's determination arise out of Petitioner's (Marr's) answer and counter-claim in the case, alleging upon information and belief that Respondent (Dick) did not come into Court with clean hands and in support of this averment Marr alleged that Respondent (Dick) had been guilty of suppressing or attempting to suppress evidence, which would defeat respondent's enforcement of a patent issued to one Hill assignor to Respondent (Dick) on February 17, 1925, and

also arise out of the memorandum filed by the Solicitor General of the United States as *Amicus Curiae*, raising the question "Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts".

When Marr's petition for writ of certiorari of the judgment of the Circuit Court of Appeals, Second Circuit, entered on June 26, 1946, in favor of Respondent (Dick) and against Petitioner (Marr), was granted; on November 12, 1946, this Court not only vacated the judgment of the Circuit Court of Appeals but initiated a further unique proceeding by directing the Circuit Court of Appeals to determine the new question—"Whether respondent's prosecution of the instant case may not constitute a fraud upon the Courts."

The broad questions presented for this Court are:

1. Whether the Court of Appeals in dismissing the appeal from the two aforementioned orders of Judge Harold R. Medina, was warranted in depriving Petitioner (Marr) of his legal right to recover damages against Respondent (Dick) upon his counterclaim in the original action and/or upon his cross-petition for relief filed in this present proceeding?

2. Whether such effect is contrary to and in derogation of the express terms of the order and direction of the Supreme Court of the United States to the Circuit Court of Appeals, Second Circuit, dated December 31, 1946?

3. Whether in the protection of the public interest proper administration of justice requires that, where the Department of Justice fails to follow through in the prosecution of an appeal involving fraud upon the Courts, and the public interest, that any litigant may do so?

The issue before this Court is plain. This proceeding (originally initiated by this Court) embraces the serious question of fraud upon the Courts, and is a novel and

unique proceeding. The disposition of this case requires determination of new and novel questions of Federal Law. It is not solely a civil action, or solely a litigation between Marr and Dick, the parties named in the title. It goes to the heart of administration of justice by this Court, and is one that has a direct and important effect upon the public interest. Briefly the procedural facts are as follows:

On August 7, 1929, the A. B. Dick Company (hereinafter referred to as "Dick"), sued James Marr, doing business as the Marr Duplicator Company (hereinafter referred to as "Marr"), in the United States District Court, for the Southern District of New York for infringement of a patent #1,526,982, issued to one Hill, assignor to Dick, on February 17, 1925, for an alleged improvement in dry stencil sheets.

On October 1, 1929, Marr answered, setting up the defenses usually set up in answers in patent suits,[8] and in addition thereto, alleged, *upon information and belief*, that Dick had not come into court with clean hands, in that Dick paid to one Smith a large sum of money as a consideration for his silence respecting his prior use and sale of dry stencil sheets, in the United States, embodying the invention set forth and claimed in the said Hill patent, more than two years prior to the date of application for the Hill patent, and, in fact, as early as *1913-1914*.[9]

Marr, further answering, *upon information and belief*, alleged that one Rowe, who had been associated with said Smith had also been paid a large sum of money by Dick, as a consideration for his silence respecting his knowledge of the prior use and sale of dry stencils more than two years prior to the filing date of application for the said Hill Patent.[10]

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8. Marr's Answer printed in full M. App. Vol. I, pp. 25-66.
9. Marr's Answer M. App. Vol. I, pp. 42-45.
10. Marr's Answer M. App. Vol. I, pp. 45-48.

Marr also counterclaimed and prayed that Dick be decreed to account to Marr for all the damage and injury which he had suffered and that he have judgment therefore in accordance with the principles of equitable procedure applicable to the premises.[11]

On February 28, 1930, Judge John C. Knox, Chief Justice of the United States District Court, Southern District of New York, granted an injunction, temporarily enjoining Marr from selling stencil sheets referred to in the complaint, within the Second Judicial District, and directed Dick to file a bond.[12]

On June 11, 1931, a stipulation was entered into between the parties, wherein it was agreed that the issue of infringement of a stencil sheet sold by Marr subsequent to the granting of the said Injunction be presented to the Court, at a trial.[13] Dick claimed that this stencil sheet was the product described in the Hill patent. Marr's position was that his sheet was the structure taught in an old and expired patent issued to Dick in 1896. Dick waived profits, damages, and accounting on account of any alleged infringement by Marr preceding the granting of the said preliminary injunction.

The action came on for trial before Judge Robert M. Patterson, on April 3, 1932. Lack of probative evidence to substantiate petitioner's (Marr's) allegations of respondent's (Dick's) suppression or attempt to suppress evidence, caused Marr to withdraw his counterclaim. Judge Patterson on June 2, 1932, filed his opinion wherein he held that while the evidence showed that in the manufacture of the "Marr" sheet, orders were given to follow the expired Dick patent, that the "Marr" sheet was not in all respects similar to the old "Dick" sheet, and that it was substantially the same as the "Hill" sheet, and di-

11. Marr's Counterclaim M. App. Vol. I, pp. 61-65.
12. *Dick* v. *Marr*, 59 F. 2d 781.
13. Stipulation between parties, dated June 11, 1931 printed, M. App. Vol. I, pp. 70-72.

rected that a decree for injunction and accounting issue.[14] An application made by Marr to submit further proof was denied.

On June 15, 1932, Judge Patterson, entered a Decree granting Dick an injunction, dismissing Marr's counterclaim, and directing that the cause be referred to a Special Master, to ascertain and report an account of profits, gains and damages. Hearings before this Special Master were concluded on November 22, 1934. The filing of the Master's Final Report was reserved.

On February 9, 1939, Judge Patterson entered an order removing the Special Master for cause and without compensation, and appointed a new Master in his place and stead.

Different types of stencils which were not before the trial court, were for the first time urged by Dick as infringements against the objections of Marr's counsel, who contended that Marr was entitled to his day in court, i.e. to a trial on the merits, in which prior art could be adduced. The substituted Special Master ruled that such evidence was not admissible in an accounting proceeding, and held as infringement the stencils, concerning which Dick introduced no evidence of actual chemical contents. On October 8, 1941, nine (9) years after the entry of the decree by Judge Patterson, the final report of the substituted Special Master was filed. Objections to said report were filed by Marr on November 10, 1941. A hearing on said objections was duly held before Judge Murray M. Hulbert, who, on September 8, 1942, filed his opinion affirming said report. On January 23, 1943, Judge Hulbert signed findings of fact. Dick entered final judgment on October 2, 1943.

On October 13, 1943, Marr filed a Notice of Motion—(a) to open the judgment entered on October 2, 1943, (b) to amend the findings of fact and conclusions of law, (c)

14. Opinion, not reported.

to make new and additional findings, and (d) to direct the entry of a new judgment.

On October 30, 1943, Judge Hulbert filed an opinion, and on December 6, 1943, signed an order denying said motion. Said order was filed on December 10, 1943.[15] On December 28, 1943, Marr filed a Notice of Appeal from said judgment entered on October 2, 1943 and from the order entered December 10, 1943. Said appeal duly came on for argument and, on June 26, 1946, the Circuit Court of Appeals for the Second Circuit affirmed the Judgment entered on October 2, 1943.[16] Rehearing was denied.

The facts pertaining to the collusive transactions between Dick and Smith, and Dick and Rowe, for the purpose of enhancing Dick's position in securing judicial aid in the enforcement of the Hill patent, the gravamen of the original complaint in this cause, and concealment of the truth as to these transactions from the courts, the public and litigants, were personally unknown to Petitioner and his counsel at the trial before Judge Patterson, and during subsequent proceedings and appeals, as will presently appear.

At the October Term, 1946, Petitioner duly docketed in this Court a Petition for a *Writ of Certiorari* issue to review the said judgment of the Circuit Court of Appeals, Second Circuit, supported by briefs presenting important questions of Federal Law.[17]

While this Petition for Certiorari, was pending, and on October 9, 1946, the Solicitor General of the United States filed with this Court a "Memorandum For the United States, as *Amicus Curiae*"[18] wherein he stated, that he deemed it to be his duty to bring to this Court's attention that on July 22, 1946, an indictment had been

15. *Dick* v. *Marr*, 48 F. Supp. 775.
16. *Dick* v. *Marr*, 155 F. 2d 923.
17. *Marr* v. *Dick*—October Term 1946—No. 504.
18. Memorandum of Solicitor General, printed M. App. Vol. I, pp. 224-227.

returned against Dick, et al., by the Grand Jurors of the United States, in the District Court for the Northern District of Ohio, Eastern Division,[19] charging Dick with having suppressed, or attempting to suppress, evidence in furtherance of a conspiracy to monopolize, which raised the question—"whether Dick's prosecution of the instant case constituted a fraud upon the courts"—and in said Memorandum, stated: "The United States will, on the request of either the Circuit Court of Appeals or the District Court, offer its services as *Amicus Curiae* in the framing and trial of the issue".

Thereafter, and on November 12, 1946, this Court rendered the following opinion:[20]

> "Supreme Court of the United States
> Washington 13, D. C.
>
> November 12, 1946.
>
> "Per Curiam: The petition for Writ of Certiorari is granted. The judgment of the Circuit Court of Appeals is vacated *and the cause is remanded to that Court* for consideration of the question raised by the Solicitor General in his memorandum as Amicus Curiae 'whether respondent's prosecution of the instant case may not constitute a fraud upon the courts'."

On December 20, 1946, this Court issued its Mandate ordering that the judgment of the Circuit Court of Appeals, Second Circuit, in this cause be vacated and remanding to said court for consideration of the question set forth in the *per curiam* decision of this Court, aforequoted.[21]

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19. Portions of the indictment and complaint are printed M. App. Vol. I, pp. 225-226; the several papers in the Cleveland, Ohio, proceeding are Amicus Ex. Nos. 18-21.
20. *Marr* v. *Dick*, 329 U. S. 680.
21. Printed M. App. Vol. I, pp. 8-9.

On December 31, 1946, the Circuit Court of Appeals, entered its order directing that the mandate of this Court be filed, that the decision of this Court be made the decision of the Circuit Court of Appeals, that its decision and judgment and mandate issued thereunder be vacated and set aside, *and further ordering that the case be removed to the District Court*, for consideration of the question set forth in the mandate of this Court.[22]

A hearing was held before Judge Knox on January 31, 1947, relative to vacating the Judgment of the District Court, subject to it being reinstated in the event the Court found that a fraud did not exist, Judge Knox, stated that under the terms of the mandate of the Circuit Court of Appeals, he did not feel justified in vacating the judgment, and suggested that Petitioner apply to the Circuit Court of Appeals for specific direction to vacate the judgment,[23] thereupon, Counsel for Petitioner, made application to the Circuit Court of Appeals for an order recalling its mandate, and that it be amended by inserting a specific direction providing for the vacating of the judgment of the District Court, pending determination of the question set forth in the mandate of this Court, or otherwise preserving Petitioner's right of appeal should the fraud as charged not be sustained by the Government. This Court, had not passed on the merits of the questions raised in the Writ of Certiorari, filed in the October Term 1946-No. 504.

On February 18, 1947, the Circuit Court of Appeals, in a *per curiam* opinion, stated:

> "Our understanding of the opinion of the Supreme Court is that the District Court before vacating the judgment appealed from, shall consider any

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22. Printed M. App. Vol. I, pp. 10-12.
23. Transcript of the proceeding before Judge Knox, printed D. App. Vol. 2, pp. 1163-1167.

> evidence presented to it upon the issue whether 'the prosecution of the instant case' constitutes a fraud upon itself 'and this court'; *and only in case it finds that the prosecution did so constitute a fraud; is it to vacate the judgment, and take such further action as may be proper.*"[24]

Thereupon, and in March 1947, petitioner applied to this Court for an order clarifying or modifying the order of this Court dated and entered on November 12, 1946, and the mandate issued thereon dated December 20, 1946. Dick filed a cross-motion praying, among other things, that the decision of this Court be recalled, and its mandate issued thereon be vacated on the ground that the decision was improvidently granted. In support of its motion, Dick filed printed copies of all of the pleadings in the instant case, and Petitioner set forth in his moving papers, the transcript of the proceedings before Judge Knox, and the afore-quoted opinion of the Circuit Court of Appeals. The motions were denied.

The afore-quoted ruling of the Circuit Court of Appeals has not been vacated or modified, by said court. It remains the law of the case, insofar as the vacating of the judgment of the District Court is concerned.

On July 15, 1947, Judge Knox, entered an order, providing in part, that the District Court consider any evidence presented to it upon the issue whether the prosecution of the instant case did not in fact constitue a fraud upon the courts.[25]

On March 25, 1948 Dick consented to the entry of a decree in the Ohio Civil Anti-Trust case, which decree contained the unusual provision that Dick be enjoined and restrained "from suppressing or attempting to suppress evi-

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24. Printed D. App. Vol. II, p. 1168.
25. Printed M. App. Vol. I, pp. 14-17.

dence"[26] and on March 26, 1948, pleaded *nolo contendere* (guilty) in the criminal action. The maximum fines were imposed.

On November 22, 1948, the Attorney General filed in the District Court, a "Notice of Issue and Facts Bearing Thereon To Be Presented By the United States, *Amicus Curiae*"[27] and, by permission of the Court, the Petitioner, also filed a "Petition to Vacate and Set Aside the Judgment of the District Court", on the ground of fraud and praying "that, the losses, expenses, and damages sustained by Marr, the defendant in the case by reason of the litigation, may be ascertained, determined and assessed".[28] Dick moved to strike portions of said petition, and on April 13, 1949, Judge Knox filed an opinion,[29] denying said motion.

On March 15, 1949, Dick filed its answer to the said "Notice of Issue and Facts, etc" filed by the United States as *Amicus Curiae* [30] and, on May 12, 1949, filed its answer to the petition, filed by Petitioner.[31]

On August 10, 1949, Judge Alexander Holtzoff, entered an order on consent, "that the United States through its Assistant Attorneys' General designated by the Attorney

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26. The Consent Decree (Amicus Ex. No. 21), provides, in part:

"4. From suppressing or attempting to suppress evidence as to to the validity or invalidity of any patent or patent application relating to stencil duplicating machines, stencils, raw materials, or stencil duplicating supplies."

"11. * * * from instituting, maintaining, or furthering, or threatening to institute, maintain or further any claim, suit, or proceeding, (a) for the purpose of enforcing any existing injunction prohibiting any person other than Dick from engaging in the manufacture or distribution of stencil duplicating machines, stencil or stencil duplicating supplies or

(b) for the purpose of collecting any royalties, charges, damages or judgments, or for the purpose of enforcing or securing an injunctive relief (1) on account of infringement of, or under the designation, 'mimeograph', or (2) on account of infringement of or under any patent now or heretofore owned or controlled by Dick relating to stencil duplicating machines, stencils, or stencil duplicating supplies."

27 Printed M. App. Vol. I, pp. 98-120.
28. Printed M. App. Vol. I, pp. 192-223.
29. *Dick* v. *Marr*, 9 F. R. D. 99.
30. Printed M. App. Vol. I, pp. 154-178.
31. Printed M. App. Vol. I, pp. 179-191.

General be authorized to participate in this proceeding as "*Amicus Curiae*".[32]

On January 12, 1950, Chief Judge Knox, entered an order assigning the cause for further proceedings to Judge Harold R. Medina.[33]

The hearings before Judge Medina were conducted by representatives of the Attorney General's Office. It consumed approximately two (2) months, and the transcript of record and exhibits are voluminous. The Government having sole knowledge of the facts upon which the charge of fraud was founded, by virtue of the secret Grand Jury Proceedings, investigations, examination of Dick's files, etc., assumed entire control of the proceedings, and, Counsel for Petitioner, unacquainted with the true facts upon which the charge of fraud upon the courts and public were based, sat on the "sidelines" to protect and safeguard Petitioner's interests.

Judge Medina, in his report or opinion to the Court of Appeals, answered the question propounded by this Court in the negative.[34] He exceeded the power of his Court and abused the proper exercise of its discretion in dismissing the action with prejudice, upon plaintiff's motion. He made no separate findings of fact and conclusions of law as required by Rule 52A, Civil Rules of Procedure.

During the course of the hearings, Dick moved to vacate the judgment of the District Court entered October 2, 1943. The Government and Counsel for Petitioner opposed the granting thereof, unless it was granted upon the grounds of fraud. Medina, J., at the conclusion of the hearings entered an order granting Plaintiff's Motion to dismiss said judgment with prejudice, but without costs. The record is barren of any voluntary or any other act of the Government or Petitioner, which could be justly con-

32. Printed M. App. Vol. I, pp. 228-229.
33. Printed M. App. Vol. I, p. 230.
34. Opinion, Medina, J., Printed M. App. Vol. I, pp. 231-272; Reported 95 F. Supp. 83.

strued as a consent to a voluntary dismissal of the judgment or suit. No findings of fact were made on Marr's counterclaim or cross petition and he was also deprived of proving damages.

On January 29, 1951, and at the request of the Department of Justice, Petitioner appealed from the two orders of the District Court, both dated on January 3, 1951, and entered pursuant to the opinion by Judge Harold R. Medina[35] and assumed the tremendous expenses thereof. On March 27, 1951, counsel for the United States made application to the Court of Appeals, Second Circuit, for leave to file a brief and argue as *Amicus Curiae*. An order granting such leave was entered on March 27, 1951.[36] After the appeal had been perfected by the Petitioner, certain representatives of the Department of Justice failed to further participate, giving no satisfactory explanation for their action. Thereafter, the Judges of the Court of Appeals, Second Circuit, disqualified themselves. The Circuit Justice, for the Second Circuit, having certified that there was a necessity for the designation and assignment of three Circuit Judges of other Circuits to act as Circuit Judges of the Second Circuit in the hearing and determination of this cause, this Court on January 29, 1952, entered an order designating and assigning the Honorable John J. Parker, the Honorable Peter Woodbury, and the Honorable Robert L. Russell, to act as United States Judges for the Second Circuit in the hearing and determination of this cause.

The appeal came on for argument on April 21, 1952, the Court of Appeals, as designated, dismissed the appeal, basing its decision upon technical procedural grounds and holding that the "question of fraud upon the courts" was "moot", and failed and refused to review the important issues on their merits,[37] and on said day the said court

35. M. App. Vol. I, pp. 273-274, 275, 276-277.
36. M. App. Vol. I, p. 279.
37. Opinion, Woodbury, J., Printed D. App. Vol. II, pp. 1130-1138.

entered its judgment dismissing the appeal, and awarded costs to Respondent.[38]

A rehearing was sought in order—*First,* that the decision be remanded and the opinion be re-written to avoid uncertainty in certain aspects of important questions of Federal Law in future litigations before the courts: *Second,* to have the Court make a complete review and express determination of the issue of "fraud upon the courts" which this Honorable Court in the first instance had in its mandate dated December 20, 1946, commanded and ordered to be done, and so directed in its designation of January 29, 1952 and, *Third,* to recall its order directing that costs be taxed against the Petitioner, on the ground that such taxation was unjust and inequitable, under the circumstances of this novel and unique proceeding.[39]

The rehearing was denied by order entered on July 24, 1952.[40] An order staying the mandate was filed on July 25, 1952.[41]

The issues before the District Court, and the Court of Appeals, were plain, Viz:—(1) Whether there were false statements or misrepresentations made by or on behalf of Dick.—(2) Whether there was suppression or concealment of evidence as to the knowledge of prior use or sale which prevented *timely* and *trustworthy* evidence from being introduced before the courts and—(3) Whether there was an obligation in all righteousness and good conscience not to do that which was done by or on behalf of Dick. The basic propositions before the Court of Appeals and District Court, were, (a) *suppression,* (b) *misrepresentation,* (c) *concealment* and, (d) *deceit,* all practiced on the courts by Dick, and its attorneys, to gain more and ever greater monopoly at the expense of

38. Judgment Printed D. App. Vol. II, pp. 1138.
39. Petition for rehearing, printed D. App. Vol. II, pp. 1139-1168.
40. Order denying rehearing, printed D. App. Vol. II, p. 1169.
41. Order staying Mandate, printed D. App. Vol. II, p. 1170.

the public interest. The Court of Appeals made no ruling on these important questions, except to dismiss the appeal on the ground it was,—"*moot*".

QUESTIONS PRESENTED.

The questions presented here for determination are important.

> **Where, during the consideration of a writ for certiorari, the Solicitor General of the United States files a memorandum as Amicus Curiae, bringing to the attention of the Supreme Court of the United States the question—"Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts"—and the Supreme Court remands for consideration the said question to the Circuit Court of Appeals, for the Second Circuit, and, the said Circuit Court of Appeals in turn, remands for consideration said question to the District Court and, the Attorney General's Office frames and tries the issues, and in the course of the hearings the plaintiff moves for an order dismissing the entire case, which motion is opposed by the Attorney General's representatives, and by the defendant, on the ground it would be prejudicial to defendant and others, and at the conclusion of the hearings the District Court grants the motion, made by plaintiff, and enters an order dismissing the case, with prejudice, and, at the request of the Attorney General's Office the defendant in the case appeals from said order to the United States Court of Appeals:**

Question One:

> **Was the dismissal of the action by the District Court improperly and improvidently granted?**

Question Two:

Does the granting of plaintiff's (respondent's) motion to dismiss the entire case and, the entry of an order thereon:—(a) Deprive and bar the Government or petitioner from the right of appeal from said order and have the issues reviewed on their merits; (b) Vitiate and annul all prior proceedings and orders in the case and terminate jurisdiction over the case; (c) Make the appeal moot and, (d) Leave the original Dick v. Marr suit, and the inquiry directed by the Supreme Court the same as though the suit had never been brought and the inquiry never ordered?

Question Three:

The Circuit Court of Appeals, Second Circuit, in construing the mandate of the Supreme Court of the United States directing that the question of fraud upon the courts, as raised by the Solicitor General be considered and inquired into, held that—"**ONLY IN CASE IT (DISTRICT COURT) FINDS THAT THE PROSECUTION DID SO CONSTITUTE A FRAUD, IS IT TO VACATE THE JUDGMENT AND TAKE SUCH FURTHER ACTION AS MAY BE PROPER,**"—The District Court thereafter held that the prosecution did **NOT** so constitute a fraud, upon plaintiff's motion, entered an order dismissing the case, with prejudice. Quere—Which mandate or order—i.e., the mandate of the Supreme Court of the United States, as construed by the Circuit Court of Appeals, Second Circuit, or the order of the District Court for the Southern District of New York—is entitled to primary recognition and enforcement?

Question Four:

Did the dismissal of the case give the petitioner all the relief, and the only relief, to which he would be entitled had the allegations of fraud, as raised by the Government, been sustained?

Question Five:

Had the Court of Appeals upon proper review found that the petitioner had been guilty of perpetrating a fraud upon the courts, would the Court of Appeals have had the inherent right to issue its mandate to the District Court, directing it to set aside its judgment rendered in favor of plaintiff (Respondent) and against the defendant (petitioner), on October 2, 1943, and to take such additional action as may be necessary and appropriate?

Question Six:

When in an equity case, which involves a question of public interest, as well as the interests of an adverse party, the law officers of the United States, serving as Amici, as the Solicitor General did in the present case, is it primarily the function of said officers to prosecute the appeal in order to protect the public, or, does the fact that the Petitioner continued the prosecution of the appeal make the case "moot"?

Question Seven:

Was it equitable and proper to award costs to the plaintiff (respondent)?

Question Eight:

Where, in the course of an equity suit, wherein the public interest is involved, proof that plaintiff had suppressed or attempted to suppress evidence, **FOR THE FIRST TIME IS BROUGHT TO LIGHT**, as a result of a secret grand jury investigation conducted by the Department of Justice in an anti-trust suit, which investigation resulted in an indictment being returned against the plaintiff (respondent)) charging that plaintiff (respondent) had suppressed or attempted to suppress evidence, and plaintiff (respondent) having pleaded nolo contendere (guilty) to said indictment—(a) Does failure on the part of defendant (petitioner) to uncover the fraud, preclude the court from granting relief and vacating a judgment obtained by plaintiff (respondent) against the defendant (petitioner) regardless of the term or time of its entry, (b) Did the District Court rule correctly on the evidentiary value of the plea of nolo contendere in the anti-trust case?

Question Nine:

Where, in an equity case, the paramount issue is, whether the plaintiff tampered with the administration of justice, such as charged by the Solicitor General in the present case, which involved more than a harm done to a single litigant, should not the Appellate Court, in order to safeguard and protect the public institutions and protect the public welfare, search and consider from all angles the charge of fraud, as made, and determine, whether,—(a) The plaintiff came into court with clean hands—(b) Did the plaintiff meet that high duty and high burden that rests on litigants in pursuit of relief in patent cases where a public interest is involved, than where rights of ordinary litigants are purely personal, to

reveal the truth to the courts and not suppress corrupt activities, and—(c) Was it the duty of plaintiff and its attorneys, to acquaint the courts with the provisions of agreements which provided for the payment by plaintiff to others of substantial sums of money to assure their silence as to their knowledge of prior use and sale, and thereby secure a favorable adjudication of the patent and, make these persons adverse witnesses for others and (d) Did the attorney client relationship disappear, and was (Dick (Respondent) estopped from raising the claim of privilege as to the production of so-called "privileged letters and documents"?

Question Ten:

Did the opinion of the District Court constitute the formal findings of fact and conclusions of law as required by Rule 52 (a) of the Civil Rules of Procedure?

The Importance of the Question.

The case has a definite public interest. So important is this question of public interest is that it has produced many opinions by this Honorable Court, of which the cases cited below are only a few.[42]

The principles set-up by the District Court, and Court of Appeals, in the case at bar, are contrary to the weight of authority and sound principles of law, and will be quoted and followed unless reversed, and will bring about confusion as to the high duty imposed upon a litigant seeking the aid of a Court of Equity, especially where the public interest is involved.

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42. *Precision Instrument Co.* v. *Automotive Co.*, 324 U. S. 806 (1945); *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U. S. 238 (1944); *Shawkee Mfg. Co.* v. *Hartford*, 322 U. S. 271 (1944); *Mercoid Corp.* v. *Midcontinent Investment Co.*, 320 U. S. 661 (1944); *U. S.* v. *Masonite Corp.*, 316 U. S. 265 (1942); *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488 (1942); *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240 (1933).

We find no case in this Court which supports the rulings of the Court of Appeals.

The opinion of the District was not a substitute for the required findings.[43-44]

Reasons for Granting the Petition.

This unique proceeding presents questions of great public importance, involving the duty of a litigant, in seeking the aid of Courts of Equity, to establish for it a patent monopoly, to show the highest degree of candor and good faith to the courts and, especially not to suppress or, attempt to suppress, any fact that may be pertinent to the case.

The principle and real issue, in this proceeding, is whether or not there has been interference with the proper and orderly procedure of justice.

> "Tampering with the administration of justice * * * involves more than an injury to a single litigant. It is a wrong against the institutions set-up to protect and safeguard the public institutions in which fraud cannot complacently be tolerated consistently with the good order of society. Surely it cannot be that preservation of the integrity of the judicial process must always wait upon the diligence of litigants. The public welfare demands that the agencies of public justice be not so impotent that they must always be mute and helpless victims of deception and fraud." (Mr. Justice Black, in writing the majority opinion, in *Hazel-Atlass Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238.)

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43. *Interstate Circuit* v. *U. S.*, 304 U. S. 55 (1938).

44. The facts deduced at the hearings before Judge Medina and the law pertaining to the case, will be incorporated in a brief in support of this Petition for Writ of Certiorari.

It appears, that it is the opinion of the United States Court of Appeals, as designated for the Second Circuit, and the District Court, as evidenced by their decisions, that these courts have made holdings which are squarely contrary to all of the decisions of this Court pertaining to the high duty and burden that rests upon litigants in pursuit of relief in patent cases where the public interest is involved, to reveal the truth to the courts and not suppress questionable or corrupt activities; any ambiguity existing should be settled with finality.

We view, with deep concern, the decision of the United States District Court, answering in the negative the question propounded by this Court—"Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts,"—. In light of the Supreme Court decisions, this decision is a reversal of the trend during the past years which have established the sound principle, that he who asks relief of a Court of Equity, must have acted in good faith, and that the equitable powers of the Court cannot be exerted in behalf of a litigant who has acted fraudulently or, who has by deceit or any other unfair means gained an advantage. But more so, do we view with apprehension the decision of the Court of Appeals which holds that the order of the District Court dismissing the case, with prejudice, vitiated and annulled all prior proceedings and orders, including the mandates of this Court and the Circuit Court of Appeals, in this case; that the dismissal of the case by the District Court gave the defendant "all the relief and the only relief" he would be entitled to if the District Court had found that Plaintiff (respondent) had been guilty of perpetrating "a fraud upon the courts"; that in an appeal such as taken in the present proceedings, it is essentially the function of the Attorney General, serving as *Amici*, to prosecute such an appeal and that a party to the cause has only a minor role.

This anxiety arises not merely from the plight in which the Petitioner finds himself—it arises equally from the far-reaching effects these two decisions may have as precedents in the field of "fraud upon the courts", the protection of the public interest, and the limitations to be placed on the lower courts in overriding and disregarding the orders and mandates of the Supreme Court of the United States, through the ingenious attempts of litigants to avoid the consequences of their fraudulent acts, and avoid having their acts reviewed by Appellate Courts.

If, upon proper consideration and review, it appears that Dick committed the acts of suppression or, attempt to suppress proof for the purpose of obtaining judicial decisions upholding the validity of the Hill patent, and suppressed or concealed proof which should have been made available to the courts prior or subsequent to the trial of the instant suit, it would create an abnormal situation, if Dick is to be relieved of all liability for the consequences of its acts, by having a motion granted to dismiss the suit (including Petitioner's counterclaim and cross-petition) with prejudice, over the objections of the Government and Petitioner. The law seems to have been well established by this Court—, where a party has suppressed or concealed facts tending to show or, question the invalidity of his patent (as in the present case), is a fraud upon the court, and the court, on discovering the true facts, no matter how late it may be, will take such action that is necessary and proper to remedy this wrong.

A study of the record will show that Respondent schemed with others to commit acts injurious to the public interest and, to commit acts for and with the intent of perverting and obstructing justice, aided and abetted in by others.

We believe that this matter is of the greatest importance, and that it can be resolved expeditiously by this Honorable Court to remove any confusion existing in this

field, and to correct the errors of the District Court and the Court below.

Prayer.

WHEREFORE, your Petitioner respectfully prays that a Writ of Certiorari be issued to the United States Court of Appeals, Second Circuit, to the end that this case may be reviewed and determined by this Court, and that the judgment of the United States Court of Appeals for the Second Circuit, and the judgment of the United States District Court, Southern District of New York be reversed and, that this Court adjudge and decree:

1. That respondent's (A. B. Dick Company) tampering with justice, was fraud upon the courts.
2. That the Court of Appeals for the Second Circuit, be directed to set aside its 1952 judgment and issue a mandate to the District Court directing it to dismiss Respondent's (Dick) complaint in the action, reinstate the counterclaim of Petitioner (Marr), so that the Court may hear and determine it upon its merits, and set aside its judgment entered on October 2, 1943 and, to take such additional action as may be necessary and appropriate.
3. That such further action and relief be imposed or granted as this Court may deem appropriate and just.

Respectfully submitted,

EDWARD D. BOLTON,
Attorney for Petitioner.

EDWARD D. BOLTON,
M. NEIL ANDREWS,
Of Counsel.

ASSIGNMENT OF ERRORS.

The Court of Appeals Erred:

1. In failing to follow the mandate, and order of designation of the Supreme Court of the United States and, consider the question—"Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts".
2. In failing to review the judgment of the United States District Court for the Southern District of New York and, exercising its inherent power and duty to "Ferret out and punish fraudulent conduct" of the kind raised by the issues in this proceeding, insuring the public interests, the rights of innocent litigants and, protecting the processes of courts of justice from pollution and perversion.
3. In holding that the dismissal of the suit by the District Court, vitiated and annulled all prior proceedings and orders in the case, including the mandate of the Supreme Court of the United States and the Circuit Court of Appeals for the Second Circuit and, that by such dismissal the suit, so far as procedures therein are concerned was if it had never been brought, for the reason that the case had become "moot".
4. In holding by its judgment that costs be taxed against petitioner.
5. In failing to follow under stare decisis the ruling of the Circuit Court of Appeals, Second Circuit, that ONLY in case the (District Court) found that the prosecution did so constitute a fraud, was it to vacate the judgment and take such further action as may be proper.

6. In holding that the dismissal of the plaintiff's case on plaintiff's motion, long after judgment; (a) "Gave the defendant the basic relief for which he asked in his answer" and, (b) "All the relief and the only relief, to which he would be entitled", had the charge of fraud been sustained.

7. In holding that if the District Court had found the plaintiff (Dick), "Had been guilty of perpetrating a fraud upon the courts, and in consequence had ruled that the plaintiff had come into court with unclean hands, the defendant would not be entitled to any relief" and, "even if the case were not moot", all that petitioner (Marr) could recover, "Is the ordinary costs".

8. In holding that it is primarily the function and duty of the law officers of the United States, serving as Amici, "To protect the public interest by rendering impartial assistance to the courts in uncovering frauds upon the courts and, that a party to the cause has only a minor role "Secondarily in the interest of the public".

9. In holding that if the law officers of the United States such as the Attorney General or, the Solicitor General, failed to prosecute an appeal "In order to protect the public interest by bringing to book those who have defiled the purity of the judicial process", the case becomes "moot".

10. In failing to hold that the matter pending before the lower court was in the nature of a special judicial proceeding; that it is not a patent infringement suit, nor strictly a private civil action between the parties named in the title; that this proceeding is unique in its inception, in that it emanated out of the Supreme Court of the United States; that it was initially set in motion by the Government when

the Solicitor General of the United States filed a memorandum advising the Supreme Court of the indictment returned against respondent; that the Supreme Court of the United States of its own volition directed that an inquiry be conducted to determine the question whether respondent had interfered with the orderly administration of justice, and had perpetrated a fraud upon the courts; that the petitioner (Marr) the defendant named in the title, is merely the vehicle through which this proceeding developed and that the petitioner (Marr), at the request of the Government, continued as the vehicle for the purpose of prosecuting the appeal and carrying it through the usual channels of appellate review.

11. In holding that the dismissal of the case gave petitioner (Marr) the basic relief prayed for in his answer, when the fact is, that petitioner is deprived of all relief by respondent's (Dick) maneuvers in moving for a dismissal with prejudice and, the granting of an order thereon by the District Court. By these maneuvers, (and by the aid of the District Court), respondent (Dick) planned to circumvent a review of the evidence, of its own fraud and corruption, on the merits, by the Appellate Courts, and used such scheme as a shield to defeat appellate scrutiny of its acts.

12. In failing to hold that those who pursue and seek the aid of a Court of Equity to establish and maintain a patent monopoly owe the highest duty of candor and good faith to the Courts.

13. In failing to follow under stare decisis the holdings of the Supreme Court of the United States, that where a patentee has suppressed, or attempted to suppress facts tending to show the invalidity of his

patent and, securing the aid of a Court of Equity in enforcing the patent—is a fraud upon the Court and public and that the Court on discovery of the true facts will take whatever action is necessary to unearth the wrong and remedy the same.

14. In failing to recognize that the Supreme Court of the United States has in recent decisions held that the inherent power of a Federal Court to investigate whether a judgment was obtained by fraud is beyond question.

15. In failing to hold that the agreements entered into between respondent (Dick) and Harry E. Smith and H. E. Smith Co. Inc., and between respondent (Dick) and Rowe-Williams Inc., and Joseph W. Rowe and the circumstances surrounding their execution were concealed from litigants, the public and suppressed before the Courts, and not brought to public light until 1946, when they were unearthed by the Department of Justice only after secret Grand Jury investigation, and then the evidence thereof was solely in the possession of the Government and that this evidence was not known to the petitioner (Marr) until the hearings before Medina, J.

16. In failing to review and decide the basic issues or propositions of law in this proceeding—(1) whether there were false statements or misrepresentations made to the Courts and to petitioner (Marr) by or on behalf of the Dick Company and (2) whether there was suppression or attempt to suppress evidence.

17. In failing to hold that it was the Government and not the petitioner (Marr) who persuaded the Supreme Court to set the inquiry into the question of "fraud upon the Courts" in motion and that the Government had sole knowledge of the facts upon

which the charge of fraud was based as a result of a secret Grand Jury investigation.

18. In failing to hold that since the Government did not actively participate in the appeal that petitioner (Marr) was the proper vehicle through which the appeal should be prosecuted.

19. In not giving the petitioner (Marr) and the public its right of appeal from the ruling of the District Court on the issues raised by the Government in its "notice of issue and facts bearing thereon, et cetera"; and the "petition of James Marr" filed in the present case.

20. In failing to hold that a higher burden and a higher duty rests on litigants in pursuit of relief in patent cases where the public interests are involved than where rights of ordinary litigants are purely personal, to reveal the truth to the Courts and not suppress or attempt to suppress evidence.

21. In failing to hold that it was the duty of respondent's (Dick's) attorneys to acquaint the Courts with the provisions of the Dick-Smith and Dick-Rowe agreements, and the circumstances surrounding the execution thereof, and not to mislead the Courts and allow untrue and misleading answers to interrogatories and testimony, to be given.

22. In failing to hold that sufficient evidence between respondent (Dick) and its counsel on the one hand, and A. B. Dick Senior, and other representatives and agents of the Dick Company on the other hand, showed that the provisions of the corrupt agreements were caused to be suppressed from the Courts and public, and a prima facie case having been established, the attorney-client relationship disappeared, and respondent (Dick) was estopped from raising

the claim of privilege and refusing to produce certain allegedly "privileged documents".

23. In failing to hold that the plea of nolo contendere (guilty) to the indictment in the criminal proceedings in Cleveland, Ohio, which charged that respondent (Dick) conspired with others to acquire and suppress evidence was material and relevant to the present proceeding and has probative value,—the present proceeding being predicated upon the charges set forth in said indictment.

24. In failing to hold that the charges of fraud, as raised by the Government and petitioner had never been presented, **ON THEIR MERITS** to any Court prior to the instant proceeding.

25. In failing to hold that the opinion of the District Court was not a substitute for findings of fact and conclusions of law, as required by Rule 52A, Rules of Civil Procedure.

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Office Supreme Court,
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IN THE

Supreme Court of the United States

October Term, 1952.

No. 344

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,

Petitioner,

AGAINST

A. B. DICK COMPANY,

Respondent.

Brief in Support of Writ for Certiorari to the United States Court of Appeals for the Second Circuit.

EDWARD D. BOLTON,
Attorney for Petitioner.

EDWARD D. BOLTON,
M. NEIL ANDREWS,
Of Counsel.

LODER APPEAL PRESS, INC., 65-67 Duane St., N. Y. C., Tel. WOrth-2-0689

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Supreme Court of the United States

October Term, 1952.

No. .....

James Mark, doing business as Mark Duplicator Company,
Petitioner,

vs.

A. B. Dick Company,
Respondent.

Brief in Support of Writ for Certiorari to the United States Court of Appeals for the Second Circuit.

Statement.

This Writ for Certiorari embraces the question raised by the Solicitor General of the United States in his Memorandum as *Amicus Curiae*, "Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts" as originally remanded by this Court to the Circuit Court of Appeals, Second Circuit on December 20, 1946.[1]

The Genesis of the Proceeding.[2]

Appended hereto is an analysis of the agreements entered into between Dick and Smith and Dick and Rowe; excerpts from the depositions of Smith, Rowe and Dick Sr., taken in *Dick* v. *Ardac* case; excerpts from testimony

1. Mandate, printed M. App. Vol. I, pp. 7-9.
2. For convenience the Appendix of Petitioner will be referred to as "M. App." and the Appendix of Respondent as "D. App." Amicus Curiae Exhibits will be referred to as "A. C. Ex." Bracketed matter, interpolations and emphasis supplied throughout, unless otherwise noted.

of Smith, Rowe and Seward in the present proceeding; and excerpts from interrogatories propounded to Dick in the *Dick* v. *Arlac* and *Dick* v. *Marr,* cases.

This proceeding is unique in its inception, in that it emanated out of the Supreme Court of the United States, having been initially set in motion by the Government, when the Solicitor General of the United States, filed a memorandum with the Supreme Court of the United States, advising the Court of the indictment returned, against A. B. Dick Company, et al; (Printed M. App. Vol. 1, pp. 224-227) by the Grand Jury of the United States, in the District Court for the Northern District of Ohio, Eastern Division, and specifically calling the Court's attention to certain criminal activities of Dick, including suppression and attempt to suppress evidence in furtherance of a conspiracy to monopolize, as charged in said indictment.[3]

The Supreme Court of the United States, directed an inquiry be conducted to determine the question whether Dick had interfered with the orderly administration of justice, and had perpetrated a fraud upon the courts. Marr, the defendant named in the title, is merely the vehicle through which this present proceeding developed. The Attorney General of the United States by permission of the District Court, framed and tried the issues (M. App., Vol. I, pp. 228-229). By an order the United States Court of Appeals leave was granted the Government to file a brief and argue as *Amicus Curiae* (M. App., Vol. I, p. 279). The Government failed to submit a brief or argue.[4]

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3. A. C. Ex. 17, Stipulation No. 4, proceedings bringing to a conclusion the criminal phase of the Anti-Trust case against the A. B. Dick Company.

A. C. Ex. 18, Indictment *U. S.* v. *A. B. Dick Co. et al;* Criminal No. 18981, in the District Court of the United States for the Northern District of Ohio, Eastern Div.

A. C. Ex. 19, Civil Complaint in *U. S.* v. *A. B. Dick Co.,* Civil Action No. 24188, in District Court of the United States for Northern District of Ohio, Eastern Div.

A. C. Ex. 20, Answer of the A. B. Dick Company in Civil Action No. 24188.

4. The procedural steps taken in this proceeding are set forth in the Petition for Writ for Certiorari.

While there are no patent issues as such, in the present proceeding, and the validity of the Hill patent issued to the Dick Company, assignee, is not directly in question, this inquiry into the question of fraud upon the courts does involve matters pertaining to the "Stencil Art". It will develop as this brief unfolds that had all the facts been presented to the courts in good faith and candor in the case of *A. B. Dick Company* v. *Simplicator Corporation,* 34 F. (2d) 935, the *"Key Case"* in the Dick patent litigation, the opinion in the *Simplicator* case may have been to the contrary as found, but due to the duplicity, of Dick and those coming under its control through bribery and illegal inducements, the true facts never came to the attention of the Courts until they were presented by the Department of Justice in the present proceeding.

The Stencil Art.

Comprises the manufacture of a "stencil sheet" for duplicating matter typed or inscribed thereon by placing same upon a drum of a duplicating machine, and then rotating the machine for the production of as many copies on duplicating paper as may be required. The so called dry stencil sheet has as a base a porous, cob-web form of paper known as Yoshino. This paper was formerly made in Japan and has a base tissue of fibres running in random form with open spaces between the intesticies to permit the passage of the duplicating ink. The Yoshino paper is dipped in a coating comprising a type impressible dope or solution consisting of a cellulose compound and a softening agent. The stencil is impervious to ink and permits a displacement when struck with the keys of a typewriter or inscribed with a stylus, and permits the passage of ink onto the paper inserted in the duplicator machine. This type of stencil is known in the trade as a dry stencil, as distinguished from a wax or protein-wet stencil.

The Early Art.

Dick was not a pioneer in the art of developing dry stencils, others had blazed the trail before Dick. As said in *Dick* v. *Kensington Supply Co., et al;* 72 F. 2d, 268 (CCA, 2): "The prior art precluded any broad interpretation of the Hill patent * * * and that stencils including dry stencils were old, and binders and tempering agents were found in them."

One of the first types of impressible stencil sheets was known as the "Broderick". Dick acquired this patent in 1888. This stencil had a porous base tissue coated with wax. While it had its defects, it was not until the advent of the so-called wet stencil which was a stencil composed of a porous base tissue coated with a coagulated protein that it ceased to be the dominating stencil on the market.

The wet stencil while in some respects superior to the wax stencil, also had its defects in that the gelatin coating had a tendency to dry out and had to be moistened by a fluid before applying it to a duplicator machine. This moistening had an injurious effect upon the typewriter.

Recognizing the defects in the wax and wet stencils, men skilled in the art, such as Harry E. Smith, of Newark, New Jersey, and Father Edward J. Calhoun, of Chicago, Illinois, set out to discover a stencil that would overcome the objectionable features of the wax and wet stencils.

Smith while in the course of making wet stencils in his factory at Newark, New Jersey, in the years *1913-1914* by chance discovered, that by adding a tempering agent such as glycerin, castor oil, etc., to Cellit-L (a cellulose compound), a dry stencil could be produced and used. How the full and true facts of the proof of these discoveries were stifled by the corrupt practices of Dick, and were prevented from being exposed to the courts will be discussed later.

The Facts.

"To know the justice of a particular case * * * one must know the case in its particulars." *Lowden* v. *Northwestern Nat. Bank & Trust Co.*, 298 U. S. 160, 165.

In view of the failure of the District Court to make findings of fact and conclusions of law and in the hope of lightening the burden of this Court, a relatively complete outline of the chain of events which show the fraudulent intent, motives and purposes which Dick resorted to in order to gain monopolistic control of the stencil industry, and to fraudulently conceal such activities from the public and the courts follow. To cover the record in detail would be a vast undertaking.

As previously stated, the obvious defects of the wax and wet stencil was recognized by the industry. In *1913-1914*, Dick was engaged in the manufacture of wet stencils. It did not manufacture a dry stencil, in fact a dry cellulose stencil was unknown in the trade in the United States before that period.

In the years of *1913-1914*, Harry E. Smith of Newark, New Jersey, who was operating under the name of The H. E. Smith Company, was engaged in the business of manufacturing wax and wet stencils, by fate, stumbled on to the idea of making a dry stencil. He found a way to overcome defects in the wet and wax stencils by coating a porous base tissue with a cellulose compound tempered with oily substances. This was revolutionary to the stencil art, and the trade recognized that fact. Smith's *1913-1914*, dry stencil blazed the trail and was important to the trade. It would last for several months. To show what he had accomplished he gave samples for testing to various people including Dick. Due to lack of proper equipment and hazardous conditions Smith met with difficulties in producing his dry stencil commercially (M. App., Vol. II, pp. 357-365).

On or about May 7, *1914*, Mr. Lash, General Manager of the Neostyle Company, a Dick subsidiary, called to see Smith at his office in Newark, New Jersey and Smith gave Lash a sample of his dry stencil. Later in May or June of *1914*, Lash arranged to have Smith meet A. B. Dick, Sr., at the Neostyle office in New York City. Smith brought along with him a quire of his dry stencils. Dick tried one of these dry stencils on a duplicating machine and asked Smith, if it contained cellulose and stated, he had analyzed it and found that it did. At this conference Mr. Dick offered to buy Smith's dry stencil formula for $10,000.00 and informed Smith that a contract had been drawn and that there was a check for $10,000 waiting for him when he signed the contract. Smith rejected Dick's offer (M. App., Vol. I, pp. 424-436).

Prior to Smith's conference with Mr. Dick, William F. Doerflinger a consulting chemist, had reported to Samuel O. Edmonds, attorney for Dick, that Smith's stencil contained cellulose and oily material. The structure and chemical ingredients of a stencil are easily determinable (M. App., Vol. II, pp. 431-433; A. C. Exs. 46, 47).[5]

While Smith's memory was fresh and on or about April 17, *1916*, and before he entered into agreements with Dick (hereinafter referred to), he, appeared before the Federal Trade Commission and testified as to his meeting with Dick and Lash in 1914, and of Dick's offer to buy his dry stencil formula (M. App., Vol. II, pp. 365-367; 433; A. C. Exs. 23, 26).[6]

In August *1914*, Smith's supply of cellulose was cut off due to World War I, and the blockade of German

5. A. C. Ex. 46, Photostat copy of letter from W. F. Doerflinger, dated April 25, 1914, addressed to Mr. S. O. Edmonds.

A. C. Ex. 47, Photostated copy of letter dated May 7, 1914 from W. F. Doerflinger to Mr. S. O. Edmonds.

6. A. C. Ex. 23, Volume of excerpted material from the proceedings before the Federal Trade Commission against A. B. Dick Co., testimony of H. E. Smith.

A. C. Ex. 26, Stipulation No. 6, Re stencil Exhibit filed in Federal Trade Commission Proceedings.

importation. In 1917-1919, Smith was pretty much out of the stencil field, and in 1919, Smith began to manufacture a stencil which he called "Hesco Blue Stencil", a coagulated protein stencil that he marketed from 1919 to 1922, when he was sued by Dick on a patent that Dick owned. Smith then and in 1924, turned to the work he had done on cellulose dry stencils in *1913-1914*. Manufacturing conditions were much improved in 1924 and Smith for his dry stencil used a cellulose compound and an oily substance for his base, as he had done in 1913-1914 (M. App. Vol. II, pp. 369-370).

On February 17, 1925, the Hill Patent #1,526,982, was issued to Dick, as assignee. Application filed February 7, 1922, eight years after Smith had manufactured his *1913-1914* dry stencil. This patent provided for the employment of a base of open texture Yoshino paper coated with a cellulose ester or cellulose acetate, softened or tempered with an oily substance. In no material respect did it differ from the early Smith discovery.

Soon after Dick acquired the Hill patent and on May 12, 1925, Dick sued in the United States District Court, Southern District of New York, the Hesco Products Company, the distributor for the Smith dry stencil in New York. Smith owned one-half of the stock of this company (M. App., Vol. II, pp. 378-384).

Smith's attorney, E. Clarkson Seward, a New York patent attorney appeared in the Hesco suit. Seward discussed with Smith the defense of the Hill patent and advised Smith that he had a good defense and in the answer filed June 10, 1925 set-up the defense of anticipation of the Hill patent by prior use and knowledge of the H. E. Smith Company on a cellulose dry stencil made in *1913-1914*, and on the further angle of defense of non-invention in—"that when a plurality of men evidently independently conceived an invention along the same line, there is an indication that that is rather the routine work

of an operative in that field than representing the genius of an inventor" (M. App., Vol. II, pp. 380-382, 383, 511-516). After consulting with Seward, Smith notified the trade that he had a good defense to the Hesco Action and that his rights to the use of the Hesco Dry Stencil were established in *1913-1914* (M. App., Vol. II, pp. 384-395; A. C. Exs. 3, 4, 49, 136).[7]

On May 22, 1925, Seward wrote Edmonds (Dick's attorney) a confidential letter calling his attention to Smith's *1913-1914* work on dry stencils, and stating that his client——

> "The H. E. Smith Company, has a prior use * * * sheets composed of substantially identically the same ingredients as are now being used were manufactured and sold by the H. E. Smith Company, and used by its customers considerably more than two years prior to the filing date of the Hill Patent. *The client has documentary record evidence of this fact and some of the original paper so that the matter* can be easily proved. * * * Viewing the situation purely from a business point of view, the client realizes that, to have the Hill Patent invalidated on this prior use, would open the files to numerous others who are perhaps not justly entitled to such advantage, if for no other reason than because they have not been responsible for any of the pioneer work in the developing the product

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7. A. C. Ex. 3, Photostatic copy of announcement to trade, entitled "Important Notice" signed by Harry E. Smith, President, H. E. Smith Co.; printed M. App. Vol. I, p. 133.

A. C. Ex. 4, Photostatic copy of letter from H. E. Smith to Heyer Duplicator Co. Inc., dated June 4, 1926; printed in M. App. Vol. I, p. 134.

A. C. Ex. 49, Photostatic copy of undated announcement of H. E. Smith Co. to the trade, partly printed in M. App. Vol. II, p. 390.

A. C. Ex. 136, Circular letter to trade on Hesco Dry Stencils. Not printed.

or the market" (M. App., Vol. II, pp. 537-538: A. C. Ex. 67, 68).[8]

Thereafter, and on July 8, 1925, Seward and Edmonds had their first conference. Seward showed Edmonds a definite formula which included castor oil, a letter exhibiting an interest in Smith's stencil, Smith's answer thereto, and bills for chemicals etc. Seward also gave Edmonds one of Smith's *1913-1914* dry stencils. Edmonds made a memorandum of this conference (A. C. Ex. 40).[9]

Edmonds stated in his memorandum that Seward had submitted a photostat of definite formula expressed on a memorandum slip, reading:

"July 14, 1914"

Mixture No. 1. Collodion 1 1/3 ounce
acetone 2 2/3 ounces
Castor oil 1/6 ounce

Mixture No. 2. Cellit-L 1 Part
Acetone 16 Parts
Glycerine 1½ ounces to 1 ounce.

"Seward delivered to and left with me what he said was a sample of the Smith paper, saying that there were several boxes of this in existence. The sample left with me is annexed and, as shown by the inscription thereon, purports to be a sample of the sheet 'Manufactured and placed on the market by the H. E. Smith Company in *1913, 1914* and *1915*'" (A. C. Ex. 40).

8. A. C. Ex. 67, Photostat of original letter dated May 22, 1925, from Edmonds.
A. C. Ex. 68, Photostat copy of carbon copy of letter dated May 29, 1925, from Edmonds to Seward.
A. C. Ex. 69, Letter dated June 1, 1925 from Seward to Edmonds.

9. A. C. Ex. 40, Memorandum of conference between Edmonds and Seward. Printed in M. App. Vol. II, pp. 300-303.

Two or three months after Seward had filed the original answer in the Hesco suit, he engaged George P. Fisher of the firm of Fisher, Towel, Clapp and Soanes, of Chicago, Illinois, and, Paul Blakewell, a patent attorney of St. Louis, Missouri, to investigate the dry stencil work of Father Edward J. Calhoun, head of the Department of Chemistry, Loyola University, Chicago. Fisher interviewed Father Calhoun and other witnesses and, obtained affidavits. These affidavits were prepared by Seward relative to the work done by Father Calhoun on dry stencils (M. App., Vol. II, pp. 524-528, 537-539; D. App. 452, 453, A. Ex. 92-100, 186).[10]

Father Calhoun in his affidavit sworn to January 12, 1926, stated in part:

> "I began experiments, in tempering pyroxyllin solutions in 1914 * * * In 1915 I had completed a stencil of *pyroxyllin base that required no previous moistening* * * * On 1915 and sixteen I wrote hundreds of stencils on these ever ready pyroxyllin stencils, much of the work may yet be had; others saw it; others were with me at the time of the preparation of the stencils; others used these stencils; from 1917 on I have made and used these ever ready pyroxyllin stencils: * * *

10. A. C. Ex. 92, Affidavit of Father Edward J. Calhoun, dated January 12, 1926.
A. C. Ex. 93, Affidavit of Paul C. Calhoun.
A. C. Ex. 94, Affidavit of Perry W. Hoover.
A. C. Ex. 95, Affidavit of Alfred P. Shalleross dated March 9, 1927.
A. C. Ex. 96, Affidavit of Rudolph Breves, dated March 4, 1927.
A. C. Ex. 97, Memorandum entitled "To Whom It May Concern".
A. C. Ex. 98, Photostat copy of letter of L. A. Calhoun to Fisher, Towel, Clapp and Soan, dated April 26, 1927.
A. C. Ex. 99, Photostatic copy of an original letter dated February 25, 1927 from the Paper Mills Co. to Fisher, Towel, Clapp and Soan.
A. C. Ex. 100, Letter dated November 21, 1927, from Paul Blakewell to Archibald Cox.
A. C. Ex. 186, Ledger accounts of Mr. Seward on his charges to Mr. Cox for Dick work consisting of four sheets.

> In making my above mentioned ever ready stencils I used cellulose nitrate and solvents therefor • • • Pyroxyllin films are naturally tough and will not stay flexible and soft and will not react to the typewriter keys I therefore tempered the pyroxyllin in various ways • • • using the following tempering agents; castor oil • • • lard • • • gylcerin, etc.
>
> The paper used to make these stencils was Japanese tissue • • •
>
> I made and used the ever ready pyroxyllin stencils sufficient for my work as a teacher and to supply other needs of friends and co-workers in 1917, 1918, 1919 and on • • • " (A. C. Ex. 92). See also A. C. Ex. 93, 94, 95, 96, 97, 98, 99, and 100 in support of Father Calhoun's affidavit.

Paul Blakewell who had been engaged by Smith through Seward and later entered the employ of Dick on November 21, 1927, wrote Cox (Dick's attorney) stating in part (A. C. Ex. 100):

> "About January of 1926, or 1927 (I can't recall the year) my old friend, George P. Fisher of Chicago, and Mr. Seward of New York wrote to me about Father Calhoun (a Jesuit priest) having made an invention and put it to practical use, sent me, as I recall, a copy of an affidavit made by Father Calhoun and requested me to see him about the matter. I think they wrote me because I am a Catholic and also because I knew Father Calhoun. I did know him and know him to be not only a very good priest but a most honorable gentleman and a learned chemist and scientist—far above the average, and a genius in his way. But my Catholicity, in the matter they enquired about, could have no weight with either me or Father Calhoun.

> I saw him and left convinced that he had made and put into practice—(made public use of)—the thing enquired about, at the time he said he did so. Like so many of those spiritual men who are also learned scientists, while fully appreciating the virtue and merit of his invention, he evidently did not care to patent it, though fully aware of the fact he might have done so. There my connection with the case began and ended. * * * "

On December 28, 1926, Seward, by leave of court, filed an amended answer to the complaint in the Hesco suit, wherein he set-up the *1914* work of Smith and, the H. E. Smith Company as prior knowledge and use and the work of Father Calhoun as he said—the investigation of Father Calhoun's early work was satisfactory and warranted a plea of the same in the amended answer. The investigation of Father Calhoun's work was continued by Fisher and Blakewell after the filing of the amended answer (M. App., Vol. II, pp. 527-528).

During the interval, from July 8, 1925, to June 16, 1926, the *Hesco* case was at issue, its prosecution being held in abeyance in accordance with an understanding between Seward and Edmonds.

On June 16, 1926, Seward informed Edmonds, at a conference held in Edmond's office, that Father Calhoun had made a dry stencil, and had used it for examination papers et cetera. At this conference the possibilities of settling the *Hesco* suit was discussed (M. App., Vol. II, pp. 546, 549-553).

Edmonds made a memorandum of this conference, wherein he noted, in part:

> "I had a talk with Seward today, principally Re Calhoun defense. He said he had not seen Calhoun but that the matter of developing that defense had

been in the hands of Fisher of Chicago—(Formerly Pierce and Fisher—), that it had been found that Calhoun had been making cellulose acetate stencils continuously since 1916, that he had used these himself and had supplied them to the various branches of Loyola University, that in addition his stencil sheets had been used commercially in letter or duplicating shops. * * *

The interview concluded with some reference to buying Smith out * * * Told Seward, so far as we knew, Smith was not a factor in the dry stencil field * * * " (A. C. Ex. 74).[11]

On June 23, 1926, Seward had a further conference with Edmonds relative to Dick buying out Smith (M. App., Vol. II, pp. 553-556). Edmonds made a memorandum of this conference wherein he stated, he would bring the matter to the attention of Mr. Dick on Monday the 28th (A. C. Ex. 75).[12] After this meeting Seward on October 7, 1926, wrote Edmonds and enclosed the affidavits he had received supporting Father Calhoun's activities, stating that they were being submitted "with a view to satisfying you that the prior use existed and avoiding a trial" (A. C. Ex. 78). In the latter part of 1926, Seward arranged to take the Calhoun depositions in Chicago through Blakewell, but due to Edmonds' death which occurred about January 20, 1927, they were not taken.

On February 16, 1927, Archibald Cox, who had had no former dealings with Seward, took Edmonds' place as Dick's attorney. Between Edmonds' death and the month of June or July, 1927, no action was taken on the *Hesco* suit as Cox had requested a period of time to familiarize

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11. A. C. Ex. 74, Copy of memorandum regarding Hill patent dated June 16, 1926; partly printed in M. App. Vol. II, pp. 305-306.

12. A. C. Ex. 75, Memorandum of conference between Edmonds and Seward of June 23, 1926, entitled "Hesco Case Memorandum".

himself with the case and as to the Smith and Calhoun prior usage.

Between June 23, 1927 and July 18, 1927, a conference was held and the *pros* and *cons* of Smith's early work was discussed (M. App., Vol. II, pp. 578-579). Cox was familiar with the Smith early work. Seward argued that the evidence showed that Smith had independently thought of the idea of making dry stencils and had actually conceived a formula which included cellulose and castor oil along with suitable solvents, and that Smith had made dry stencils from that formula long before the Hill patent and had sent these dry stencils out to customers. At this conference Seward, handed to Cox the affidavits he had obtained in investigating the Father Calhoun prior use and showed him everything he had that would support the Father Calhoun defense. Seward said he had no reason to think less of Father Calhoun's prior use, except the failure to find some record evidence, i. e. a physical Calhoun stencil. Such a stencil could have been analyzed for its chemical contents. The conference wound up with an understanding that negotiations would continue. Things then moved to a rapid climax (M. App., Vol. II, pp. 563; 568-572; 574-579).

On July 16, 1927, five days before the execution of the settlement agreement between Dick and Smith (hereinafter analyzed) Dick sued Smith and his Company in New Jersey as per a pre-arranged plan between Cox and Seward (M. App., Vol. II, p. 415).

Seward brought Smith to a second conference, held on *July 18, 1927* where the question of payment of money to Smith was talked over, and a settlement agreement discussed. *There was dickering as to the amount Dick would pay to Smith and finally agreed that Dick would pay Smith $100,000.00 upon the express condition that the payment of at least $10,000.00 of this sum would be held*

in abeyance, subject to the broad claims of the Hill patent being sustained (M. App., Vol. II, pp. 577-579).

Prior to this conference, Cox had insisted that as a condition precedent to the signing of the agreement, the answers in the New York *Hesco* case be physically withdrawn from the files of the court; that Smith consent to the entry of a decree sustaining the Hill patent; that Dick be authorized by Smith to bring a suit against the H. E. Smith Company, and Smith in New Jersey; that answers thereto be filed, eliminating the Smith and Calhoun defenses, and that a consent to the entry of a decree admitting the validity of the Hill patent be entered. Seward, testified that it was not necessary to file an answer in the proposed New Jersey suit, in order to enter a consent decree, nor was it necessary to physically withdraw from the files the answer in the New York *Hesco* suit; that this was an unusual proceeding. On the insistence of Cox, and under Cox's direction, Seward prepared and served the answer in the New Jersey suit omitting the Smith and Father Calhoun prior use.

Following this conference of July 18, 1927, Cox and Seward moved swiftly to put into execution the agreements embodying the settlement.

On July 20, 1927, the answers in the New York (*Hesco* suit), were physically removed from the files of the court, and a final decree *pro confesso* entered after their withdrawal the answers were turned over to Cox[13] and the following day *July 21, 1927* the innocuous answer omitting all reference to the Smith and Father Calhoun prior use and knowledge was filed in the New Jersey suit (M. App., Vol. II, pp. 585-586) and on this day the first *Dick-Smith agreement, containing the contingency provision as prepared by Cox, for the withholding of $10,000.00 subject to the broad claims of the Hill patent being sustained was*

13. A. C. Ex. 34, Stipulation No. 14 re answer and amended answer in Hesco suit.

signed by Dick and Smith (A. C. Ex. 1).[14] *Seward stated that the agreement proposed and drawn by Cox was unusual in patent cases* (M. App., Vol. II, pp. 407; 418-419; 579-589).

Pursuant to the contract, Seward turned immediately over to Cox all the papers, documents, etc., relating to the Smith prior knowledge and use of dry stencils, and then entered the employ of Dick on September 14, 1927, and started helping Cox in the *Simplicator* case, and in November 1927 turned over to Cox all the Calhoun papers. Seward raised no objection or protest to turning over to Cox-the "evidence of this prior use which was of importance to the public generally and not solely to the owner of the patent". He took no receipt for these papers (M. App., Vol. II, pp. 586-606).

Joseph W. Rowe, in *1921-1922*, was in the employment of Smith as a salesman and knew of Smith's *1913-1914* work in the dry stencil field. Smith admitted, that he may have given Rowe a stencil or a piece, such as A. C. Ex. 146, attached to A. C. Ex. 40[15] and that Rowe kept the same. Rowe had no scientific or chemical training, and no experience in the stencil field until he went to work for Smith (M. App., Vol. II, pp. 477-479; 613, 615). Rowe, on October 10, 1923, formed Rowe-Williams Incorporated, under the Laws of the State of New Jersey. He was the principal stockholder, President and Director throughout the life of the corporation (A. C. Ex. 90).[16]

Rowe-Williams corporation put on the market a dry stencil called Nu-Dry. Which was distributed by a dealer in New York City, New York, named Barnett. Dick sued

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14. A. C. Ex. 1, photostatic copy of original executed contract dated July 21, 1927, between A. B. Dick Company and the H. E. Smith Company and Harry E. Smith, also printed M. App. Vol. I, pp. 121-129 as Ex. "A".

15. A. C. Ex. 146, Smith stencil removed from A. C. Ex. 40.
A. C. Ex. 40, Memo of conference between Mr. Edmonds and Mr. Seward, with A. C. Ex. 146 attached.

16. A. C. Ex. 190, Minute Book of Rowe-Williams Incorporated, partially printed in M. App. Vol. II, pp. 311-315.

Barnett on May 15, 1925 in the United States District Court, Southern District of New York. Rowe-Williams Incorporated employed J. Clifford McChristie a general practitioner (who died in 1945) to defend the suit (M. App., Vol. II, pp. 615; 618; 622-623).

Directly after the institution of the Barnett suit, *Rowe consulted Dr. Edward Worden*, a consulting chemist and recognized authority on dry cellulose stencils, and also retained the law firm of Prindle, Wright, Neal and Bean, a New York City patent law firm of excellent reputation. On June 22, 1925, *Mr. Prindle rendered to Rowe, a written opinion stating "the patent to Hill is void" and referred to a stencil submitted to his firm and made "about eight years ago in Illinois". Rowe testified, that it was possible this stencil had been submitted to Messrs. Prindle, Wright, Neal and Bean, by McChristie* (M. App., Vol. II, pp. 624-626; A. C. Ex. 43).[17]

Rowe had visited Father Calhoun on May 25, 1925, at Chicago to obtain information concerning Father Calhoun's dry stencil work. Father Calhoun informed Rowe that from eight to twenty years before the issuance of the Hill patent he had been making dry stencils and showed Rowe work that had been done on his stencil of Yoshino paper covered with cellulose acetate, castor oil and other ingredients and that he had not only used them himself but had also sent some of the stencils to other affiliated Universities. He gave Rowe a sample of his dry stencil and showed him duplication work that had been done with these stencils and told Rowe that he was using castor oil and nitro-cellulose in the coating (M. App., Vol. II, pp. 318; 626-628; 642-644; A. C. Ex. 90).[18]

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17. A. C. Ex. 43, Prindle, Wright, Neal & Bean, opinion dated June 22, 1925.

18. A. C. Ex. 90, Memorandum dated June 29, 1925, a conversation between Edmonds, McChristie, Rowe and Biesterfeld of the firm of Prindle, Wright, Neal & Bean. Printed in M. App. Vol. II, pp. 317-322.

Rowe corresponded with Father Calhoun and suggested that Father Calhoun's brother, Paul Calhoun become a member of Rowe's company and sent to Father Calhoun two copies of the opinion that had been rendered by Prindle, Wright, Neal & Bean. When Rowe met with Father Calhoun in Chicago, they discussed the Barnett suit, and the use of Father Calhoun as a witness (A. C. Ex. 42).[19] Later Rowe conferred with McChristie about his visit with Father Calhoun, and gave to McChristie the piece of dry stencil he had received from Father Calhoun. McChristie relayed this information to Cox (M. App., Vol. II, pp. 629-637).

Dick having offered to buy off Rowe, no answer was filed in the Barnett suit, and Cox arranged with McChristie that prosecution of the suit be suspended. The suit was dismissed for lack of prosecution, in January 1927 (M. App., Vol. II, pp. 636-639; A. C. Exs. 89, 90).[20]

About two months prior to August 1, 1927, McChristie suggested to Rowe, that he visit Cox's office, when he arrived he found Mr. Dick, Sr. present. Dick, Sr. asked Rowe if he would accept a position with the Dick Company, at about $5,000.00 per year, upon the condition that Rowe would first sign an affidavit that he was using the Hill (Dick) formulae. Rowe turned the offer down, left the room and waited in the outer office while Cox, McChristie and Dick conferred. McChristie later came to Rowe and said, "what do you want out of this". *Rowe insisted on payment of $250,000.00. He left the conference and returned to his office. A few days later Rowe advised McChristie he would accept $175,000.00 and agreed that Dick could withhold payment of $50,000.00 of this sum*

19. A. C. Ex. 42, Letter dated August 7, 1925, addressed to Father Calhoun enclosing copies of the opinion of Prindle, Wright, Neal & Bean, stating that Edmonds would probably call to see him. Printed in D. App. Vol. 2, pp. 1092-1093; M. App. Vol. II, pp. 630-633, 637-639.

20. A. C. 89, Memorandum dated June 23, 1925 relative to conference Mr. Edmonds had with Mr. McChristie. Printed M. App. Vol. II, pp. 315-317.

contingent upon Dick's successful adjudication of the Hill patent through the courts; it being understood that if the courts sustained the patent this contingent payment of *$50,000.00* would then be paid to Rowe. Rowe admitted that the $175,000.00 was for settlement of the litigation and *that he had a $50,000.00 stake in the sustaining by the courts of the Hill patent* (M. App., Vol. II, pp. 645-650).

It was secretly understood between Dick and Rowe that the $175,000.00 would be split as follows: *$10,000.00 to Rowe-Williams Incorporated* and *$165,000.00 to Rowe personally,* upon condition that Rowe first obtain title to all the issued shares of Rowe-Williams Incorporated. Prior to this conversation Rowe "*offered to buy the whole of his (Williams) stock or sell my stock to him for the small sum of $125.00*". Rowe called a meeting of the Directors of Rowe-Williams Incorporated, in July 1927 and reported to the Directors that he had worked out a satisfactory settlement with Dick and his attorney for $10,000.00 in consideration of he and Rowe-Williams Incorporated consenting to the entry of a decree against them enjoining the making of dry stencils. Rowe did not mention to the Directors that he was to receive personally from Dick *$165,000.00* and that he had been instructed by Dick to acquire, in advance, all the stock of Rowe-Williams Incorporated. Instead Rowe, as President, reported that as the company was in bad financial condition he would recommend that the offer of *$10,000.00* be accepted. Rowe was not too well fixed at the time and his company was in debt (M. App., Vol. II, pp. 619; 650; 651-654; A. C. Ex. 190).[21]

Rowe acquired all the stock and on August 1, 1927, after Rowe had double crossed the stockholders of Rowe-Williams Inc., Rowe and Dick entered into an agreement, whereby Dick, in settlement of the Barnett litigation,

21. A. C. Ex. 190, Minute Book of Rowe-Williams Incorporated. Partially printed M. App. Vol. II, pp. 311-315.

agreed to pay Rowe-Williams Incorporated the sum of *$10,000.00* and to release Rowe and Rowe-Williams Incorporated from all claims and demands for damages and profits.[22] Rowe shared in this *$10,000.00*.

In order to firmly clinch the knowledge that Rowe possessed of the prior use of Smith's and Father Calhoun's cellulose dry stencil, prior to 1922, Dick entered into a separate agreement with Rowe personally, also dated August 1, 1927. This agreement was predicated on the secret arrangement that Rowe would receive *$165,000.00* personally, subject to certain contingencies.[23] Rowe and Rowe-Williams Incorporated, performed all the obligations attached under this agreement, along with his personal agreement (M. App. Vol. pp. II, p. 654).[24]

Immediately after Rowe's interest was disposed of Dick and Rowe issued announcements prepared by Dick to the trade, boasting that Rowe and his company had capitulated to Dick and the Hill patent, and were not defending the Dick litigation, because there was no defense. It is significant that these announcements made no mention that Dick had agreed to pay Rowe-Williams Incorporated, *$10,000.00* and was separately paying Rowe *$165,000.00—$50,000.00 of which was contingent* upon the Hill patent being validated (M. App., Vol. I, pp. 134-150; Exs. "E", "F", "G", and "H") by a court of last resort. On August 5, 1927 a final decree was entered in the *Barnett* suit. Rowe was not called upon by Dick to do "anything more". He loyally cooperated with Dick (M. App., Vol. II, pp. 655-677).

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22. A. C. Ex. 5, Photostatic copy original of the agreement between the A. B. Dick Company and the Rowe-Williams Inc. and Joseph W. Rowe, dated August 1, 1927. Printed M. App. Vol. I, pp. 135-139.

23. A. C. Ex. 6, photostatic copy of original of the agreement between A. B. Dick Company and Joseph W. Rowe, dated August 1, 1927. Printed M. App. Vol. I, pp. 140-145.

24. See excerpts from Smith's testimony printed in Appendix to this brief, pages 93-116.

It is obvious and not mere supposition that the illegitimate consideration, i.e., the *$100,000.00* paid to Smith and the *$175,000.00* paid to Rowe and his company, were paid upon the express condition that both Smith and Rowe should respectively keep secret and suppress the details and circumstances of their knowledge and prior use and, were not given as a consideration for the purpose of buying the business of either Smith or Rowe. The potentialities of Smith and Rowe, as competitors of Dick in *1926-1927*, was practically non-existent.

Smith "was not a factor in the dry stencil field". His sales were largely of wax paper and other products such as inks, etc. (M. App., Vol. II, pp. 305-309; 371-378).[25] In 1926, Smtih's business showed a gross income of $29,000.00; its net loss for that year was $3,985.00.[26]

In 1926-1927, Rowe and his company in a business sense were melting away; in addition to selling stencils he made and sold a few rubber-rollers, some ink and a little correcting fluid. Rowe-Williams Incorporated was insolvent and on the verge of bankruptcy.[27] Rowe had offered to sell his stock in the company to Williams or buy Williams stock in the company for *$125.00*. Rowe was not too well fixed; he was struggling along, as said by Judge Medina, "I don't yet see what you had that was worth *$175,000.00* * * *. Q. Well, you didn't have anything to sell? A. Well, I had the knowledge of my long experience in the stencil field. * * *." Judge Medina, "that evidently was not good for anything * * * ". The knowledge that Rowe possessed was the knowledge and know-how, that he had obtained from Smith and Father Calhoun concerning the knowledge and prior use that both of these men acquired through their respective dis-

25. A. C. 74, Copy of memorandum re Hill Patent dated June 16, 1926. Partially printed M. App. Vol. II, pp. 305-306.

26. A. C. Ex. 27, Stipulation No. 7, re income tax returns for the Rowe-Williams Co. for the year 1924 through 1927 inclusive, and of H. E. Smith Company for the years 1923-1927 inclusive.

27. A. C. 196, Income tax return of Rowe-Williams, Inc., for 1927.

covery of a dry cellulose stencil long prior to the issuance of the Hill patent. Rowe simply retired on his illicit gains (M. App., Vol. II, pp. 310-322; Vol. II, pp. 620-621, 644, 651).

Dick, having silenced Smith and Rowe by the corrupt contingent payments, then set out to tie in the loose ends and silence those who were connected with Rowe and Smith. The first step in this scheme, was to bring McChristie (Rowe's attorney) into the Dick fold through an agreement entered into between Rowe and McChristie dated August 2, 1927, whereby Rowe authorized and directed Dick to pay to McChristie 10% of each and every payment to be paid by Dick to Rowe (M. App., Vol. II, pp. 723-724; D. App., pp. 1069-1072).[28]

As previously stated the agreement between Dick and Smith pertaining to the method of payment of the $90,000.00 was signed on September 12, 1927. Two days later, and on September 14, 1927, Seward, who was still in privity with Smith, entered the employment of Dick (M. App., Vol. II, pp. 590-606).[29]

Following Seward's employment, Dick's attorneys, Archibald Cox and Robert W. Byerly, retained Blakewell and Fisher, the attorneys who had been employed by Seward in the Dick-Smith litigation, and who had reported favorably upon the Father Calhoun prior use (M. App., Vol. II, pp. 529-530).[30]

The aforementioned Doctor Edward C. Worden, a recognized scientist in the field of cellulose, who was

28. A. C. Ex. 35, Stipulation No. 15, re payments by Dick Co. to Smith, to Rowe and to McChristie.

29. A. C. Ex. 186, Ledger accounts of Mr. Seward on his charges to Mr. Cox for Dick work consisting of 4 sheets.

A. C. Ex. 187, Group of 25 letters, carbon copies from Mr. Seward to Mr. Cox.

30. A. C. Ex. 100, Letter dated Nov. 21, 1927 from Paul Blakewell to Archibald Cox.

A. C. Ex. 183, Photostatic document of expenses charged to the Smith Co. in re, *Dick* v. *Hesco*, two pages, Nos. 51 and 98.

A. C. Ex. 198, Stipulation 17, covering employment of attorney Paul Blakewell by Cox on behalf of Dick Co. during the years 1929-1935.

associated with Rowe-Williams Incorporated, as its expert advisor in 1923, reported to Rowe-Williams Incorporated, on May 25, 1925, that the Hill patent could be "invalidated for lack of originality of conception and novelty".

On June 28, 1925, about one month after the filing of the complaint in the *Hesco* (*Smith*) suit, Dick filed a complaint in the United States District Court, Southern District of New York, against *Simplicator Corporation.* This case laid dormant while Dick was negotiating the agreements with Smith and Rowe, and gaining control over the attorneys that had knowledge of Smith and Father Calhoun's prior use.[31]

The defense of the *Simplicator* suit was conducted by the Arlac Dry Stencil Company, a Pennsylvania corporation. Mr. M. S. Amstutz and Thomas Ewing acted as counsel for Simplicator. On May 28, 1927 Dr. Worden (heretofore mentioned) advised Amstutz that he was free to assist in the trial of the *Simplicator* suit and, on September 2, 1927, Worden forwarded to Mr. Shattuck, President of the Arlac Dry Stencil Company, a retainer memorandum in the amount of *$500.00.* On September 9, 1927, Worden acknowledged receipt of a retainer check for said sum. On September 8, 1927, Cox (Dick's attorney) wrote Worden invoking his assistance. On September 9, 1927, Worden advised Cox, that he would be pleased to accept his invitation to call and set the date for September 15, 1927. Before visiting Cox, and on the morning of September 15, 1927, Worden had a long talk with Mr. Prindle on the ethics involved. Mr. Prindle questioning the ethics said, "that if Cox was under the impression that in buying Rowe-Williams, he was also getting services of Prindle * * * in order to obtain an angle on the situation from a source which had been antagonistic to the Dick interest at one time, he would not be available". Cox had

31. A. C. Exhibit 10, Stipulation No. 1 between the parties plaintiff and defendant to this action.

informed Worden that he was counting on assistance from Mr. Prindle. Worden, on September 25, 1927, accepted a retainer of *$1,000.00* from Cox. He thereupon severed his connection with Shattuck, vitiated his agreement to act as an expert in the *Simplicator* trial, and on that day sent a check to Shattuck for $500.00 in return for the retainer he had previously accepted from Shattuck. Worden immediately began assisting in the preparation of the trial of the *Simplicator* case. In a letter addressed to Cox, dated October 20, 1927, he enclosed a copy of the report he had previously sent to Rowe-Williams Inc., on May 25, 1925 and said, "there is no question of ethics involved in my handing you a copy of this report because the interest of the A. B. Dick Company and the former Rowe-Williams Company are identical". Worden, upon returning Simplicator's retainer rendered reports to Dick.[31]

A. C. Ex. 113, Photostatic copy of letter from Dr. E. J. Worden to Simplicator Corp. dated Dec. 19, 1925.

A. C. Ex. 114, Letter from Dr. Worden to N. S. Amstutz, dated May 28, 1927.

A. C. Ex. 115, Copy of letter from Dr. Worden to Amstutz dated July 26, 1927.

A. C. Ex. 116, Letter from Worden to Shattuck, dated Aug. 22, 1927.

A. C. Ex. 117, Copy of letter from Worden to Shattuck dated Aug. 29, 1927

A. C. Ex. 118, Letter from Worden to Shattuck dated Sept. 2, 1927.

A. C. Ex. 118A, Invoice for retainer, $500. billed by Worden to Arlae re, *Dick* v. *Simplicator*, dated Sept. 2, 1927, enclosed in Ex. 118.

A. C. Ex. 119, Copy of letter from Worden to Shattuck of Sept. 9, 1927 acknowledging receipt by Worden of check for $500.

A. C. Ex. 119A, Enclosure with Ex. 119, letter from Cox to Dr. Worden dated Sept. 8, 1927.

A. C. Ex. 119B, Enclosure with Ex. 119, letter from Worden to Cox dated Sept. 9, 1927.

A. C. Ex. 120, Copy of letter from Worden to Cox dated Sept. 14, 1927.

A. C. Ex. 120A, Copy of letter from Cox to Worden of Sept. 12, 1927 referred to in Ex. 120.

A. C. Ex. 121, Copy of letter from Worden to Shattuck dated Sept. 15, 1927.

A. C. Ex. 122, Photostat of wire from Dr. Worden to Shattuck dated Sept. 16, 1927.

A. C. Ex. 123, Photostatic copy of letter from Worden to Shattuck dated Sept. 17, 1927.

A. C. Ex. 124, Letter from Worden to Shattuck dated Sept. 27, 1927.

A. C. Ex. 125, Original letter from Worden to Cox, Sept. 19, 1927.

A. C. Ex. 126, Original letter from Worden to Cox, Sept. 21, 1927.

A. C. Ex. 127, Original letter from Worden to Cox, Oct. 6, 1927.

THE SIMPLICATOR CASE.[32]

It is conceded that the Simplicator suit is the "*key*" case in all the Dick litigations on the Hill Patent (M. App., Vol. II, pp. 283, 294-296; 328-330; D. App., Vol. I, pp. 3-4)

The *Simplicator* case came to trial before Judge Winslow, on February 18, 1928 The Smith prior use being unknown to *Simplicator* the case went along without Smith's prior use being a factor. Just prior to the trial, *Simplicator's* attention was brought to the Father Calhoun prior use, and it was stipulated that the answer be amended by adding this defense. The main issue in the *Simplicator* case was the prior use of Father Calhoun. This issue was litigated to a degree, meaning by that statement, while Father Calhoun testified as to his prior use, and went into great detail concerning the manufacture and use of his dry stencil in classrooms, and the use by others in Chicago, he was unable to produce a natural stencil manufactured by him prior to issuance of the Hill patent. Rowe testified, and Dick admits that Rowe had received a copy or piece thereof, of Father Calhoun's early stencil from Father Calhoun; Rowe believed McChristie had turned the same over to Dick's attorney in compliance with the terms of the agreement entered into between he and Dick. Mr. Prindle on June 22, 1925, in his opinion given to Mr. Rowe (which opinion found its way into the Dick files), stated that he had examined a stencil made in Illinois which he said—"is in flat anticipation of the Hill Patent as a prior public use, and we understand many such stencils were made at the time * * * in view of this situation the patent of Hill is void." The record discloses that the index to the private file in the Dick Office referred to an early Father Calhoun stencil. This stencil

32. *Dick* v. *Simplicator Corp.*, 30 F. 2d 713 (1929).
Dick v. *Simplicator Corp.*, 34 F. 2d (C. C. A. 2, 1929).

was never produced (M. App. Vol. II, pp. 327-328; 331, 345-347, 349, 626-628, 665-670).[33, 34]

Judge Winslow, in passing on the Father Calhoun use, said: "There is no physical record remaining and while the integrity and purpose of the witness may not be questioned, the court cannot conclude that such devices have been proved satisfactory and beyond a reasonable doubt to be anticipatory of plaintiff's invention * * * anticipation cannot be predicated upon anything less than satisfaction proof"—Judge Augustus Hand, in writing the opinion of affirmance, said: "He (Father Calhoun) failed to produce any stencil sheet about the period which he testified."[34]

The then existence of a Father Calhoun prior use stencil, was not discovered until it was unearthed by the Department of Justice in 1946, and also elicited from the testimony of Rowe, at the hearing of the proceeding at bar. It was kept a close secret and not disclosed by those who knew of its state of being. Mr. Joe Bailey Brown counsel for Arlac testified that he had a suspicion that the Smith file had been stripped (M. App. Vol. II, 696).[34]

It is not difficult to draw an inference as to what would have been the conclusion reached by the courts, if the Father Calhoun stencil had been physically before the courts, at the trial or at the time of the appeal (M. App. Vol. I, pp. 294-297).

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33. A. C. Ex. 42, Photostatic copy of letter dated Aug. 7, 1925 by Joseph Rowe to Father Calhoun. Printed in D. App. pp. 1092-1093; M. App. Vol. II, pp. 630-633, 637-639.

A. C. Ex. 43, Prindle, Right, Neal & Bean opinion dated June 22, 1925.

34. A. C. Ex. 104, Copy of letter dated Sept. 28, 1945, from J. T. Haslett to Lester L. Jay.

A. C. Ex. 105, Reply of Mr. Jay to Mr. Haslett, dated Sept. 29, 1945.

A. C. Ex. 107, Letter from Melville D. Church to Mr. Horsky, dated December 15, 1949.

A. C. Ex. 108, Supplemental letter from Mr. Church to Mr. Horsky, dated Dec. 15, 1949.

A. C. Ex. 108A, Photostatic copy of Hill envelope, Ex. 101.

A. C. Ex. 109, Copy of letter from Mr. Horsky to Mr. Church, dated April 10, 1950.

Notwithstanding, investigation and efforts made by the attorneys representing *Simplicator* in seeking for and obtaining information with respect to prior knowledge and use, and exploring all sources of information then known (1928-1929) they failed to learn of the fact that Smith had made and sold stencils in *1913-1914*, which comprised paper sheets coated with cellulose, tempered with castor oil, producing type impressible stencil sheets, later claimed by the Hill patent. This information did not come to notice of *Simplicator* until long after the Circuit Court of Appeals, Second Circuit, had in October 1929, issued its mandate to the District Court, and the District Court had on October 17, 1929, entered its decree in accordance with the mandate, and had directed an accounting and injunction.

Through the medium of an examination of Harry E. Smith, on December 2, 1929, a hostile witness, called under subpoena on behalf of Arlac Dry Stencil Corporation, and Verne R. Shattuck, defendants in a suit instituted by Dick in the United States District Court, Western District of Pennsylvania, it was disclosed that Smith had delivered unto Dick or its solicitors a number of papers, formulae, etc., pertaining to the manufacture and sale of dry stencils in *1913-1914* (M. App. Vol. II, pp. 351, 676).

On January 6, 1930, Smith was again examined in said case and identified correspondence, formulae, and stencils made by him in *1913-1914* (A. C. Ex. 10 Stipulation I, pp. 116, 164). This information was received for the first time by *Simplicator* on January 6, 1930. (See excerpts from Smith's examination printed in Appendix to this brief, pp. 89-93).

Immediately, and on January 7, 1930, *Simplicator* petitioned the Circuit Court of Appeals, Second Circuit, for leave to file a bill in the nature of a bill of review in the Court below to secure consideration of the newly discovered evidence. On January 8, 1930, an order to show cause issued

returnable January 13, 1930. The argument was held on that day. Mr. Cox, counsel for Dick, filed a memorandum opposing the motion to recall the mandate. In this memorandum Cox went into great detail in discussing the law covering the granting and denying permission to apply for reopening after decree and mandate, and in discussing the character of the newly discovered evidence, utterly failed to keep faith with the court by mentioning or calling to the attention of the court the existence of the corrupt secret agreements between Dick and Smith, and Dick and Rowe, that were secretly reposing in Dick's files during the trial and at the time of argument.

Counsel for *Simplicator*, also submitted a memorandum in support of the petition, wherein reference was made to Smith having testified on December 2, 1929, and January 6, 1930, that there was a written contract between he and Dick, but Smith on the advice of Cox had refused to produce this contract. Smith has consulted Cox (Dick's attorney) before the examination. Cox confronted with the statement set forth in *Simplicator's* memorandum pertaining to the existence of an agreement, and realizing that as part of the scheme, Dick could not under any circumstances permit this case to be lost, otherwise Dick's whole monopoly would crumble, filed a reply memorandum, wherein he deliberately deceived the court and cheated the public, by making the untruthful and misleading statement—that *Dick since the agreement in 1927, had had no contact or control over Smith whatsoever.*[35] *Cox, at the argument stated, that Smith had no further interest in the matter and that the agreement was private and one which in no way concerned the defendant* (*Simplicator*) *the courts, or the public;* that to disclose the terms of the agreement would be an intrusion upon the private affairs of litigants (M. App. Vol. II, pp. 688-692)

35. A. C. Ex. 14, Cov of the proceedings in the Court of Appeals in the *Simplicator* case, printed in D. App., pp. 99-104S.

Cox, knew at that time that the agreement with Smith provided that the payment of at least $10,000.00 of the $100,000.00 to be paid to Smith was contingent upon the Simplicator case being adjudicated favorably to Dick, and was awaiting a final decision in the *Simplicator* case by the Circuit Court of Appeals, Second Circuit. *He also knew, that his statement, that Smith had no further interest in the matter, and that Smith was Simplicator's witness was not true. Cox, also knew that the agreement with Rowe contained a contingency clause, or express condition, that Rowe was not to receive at least $50,000.00 of the $165,000.00 to be paid to him personally, if he should divulge any information concerning cellulose stencils to others and that at the time of the motion to remand, this payment was pending*, awaiting final adjudication of the *Simplicator* case and that it would be detrimental to Dick's monopoly to have the case reopened and the truth brought to light.

Seward who had prepared the answers in the *Hesco* (*Smith*) suit, citing the prior knowledge and use by Smith in *1913-1914;* who advised Smith that he had a good defense; who had through Fisher and Blakewell investigated the Father Calhoun prior use and had satisfied himself that Father Calhoun had produced a dry stencil prior to 1920, and had set up this defense in the amended answer as he said his investigation warranted him in so pleading it. *Seward*, who had given Edmonds (Dick's attorney) a copy of one or more of Smith's dry stencils made in *1913-1914*, with the formulae containing cellulose and castor oil, a combination of ingredients later claimed in the Hill patent and the affidavits of prior use sworn to by Father Calhoun and others and later at the instigation of Cox became a party to the peculiar practice of physically removing from the court files the answers in the New York *Hesco* suit (*Dick-Smith* suit); prepared and filed a safe harmless answer in the *Dick-Smith*, New

Jersey suit, omitting all reference to Smith's and Calhoun's prior use, approved the entry of a consent decree, which he did not believe was necessary; *Seward* who was an active party to the machinations of bringing into execution the admittedly unusual Dick-Smith agreements which contained illegal provisions for the payment of a consideration dependent upon the successful outcome in a pending and future patent suits, and who advised his client, Smith to accept such terms and later stated he may not want to divulge the same to the Federal Bureau of Investigation or others, and who felt that one day he would be called upon as a witness in this proceeding to explain his acts and who right after the ink was dry on the Dick-Smith agreement of September 12, 1927, permitted himself to be engaged by Dick to assist Cox in the preparation of the *Simplicator,* and other pending suits, at a renumeration of *$250.00* per diem, swore to and submitted in opposition to *Simplicator's* petition an affidavit wherein he deprecated the importance of the Smith *1913-1914* prior knowledge and use.[36] This affidavit is notable for the fact that it is absolutely barren of any reference to the contingent payment to Smith, dependent upon Dick being successful in validating the Hill Patent.

On January 30, 1930, the Circuit Court of Appeals, Second Circuit, in a brief *per curiam* memorandum denied the motion stating that *Simplicator* had not used reasonable diligence in unearthing the supposed use before the trial. It is self evident that if the Court had been aware of the corrupting of Smith and Rowe by the terms of the agreements, and if it had known that one of Father Calhoun's stencils was in existence at the time, its ruling on the petition would have at least been different (M. App. Vol. I, pp. 294-295).

Particular emphasis has been given to the *Simplicator* case because of its importance as the controlling case in

36. Sewarl affidavit printed in Hearer Record, A. C. Ex. 13, pp. 199-202.

all the Dick litigation that followed, and because of the manner in which its decision was used by Dick in subsequent litigation on the Hill patent. We will proceed to point out to this Court, the skullduggery practiced by Dick and its attorneys, in successfully suppressing and keeping the material evidence concealed from defendants and the courts, thereby interfering with the integrity of the judicial process. *First,* we will briefly review the *Arlac* case.

THE ARLAC CASE.[37]

The complaint was filed on July 26, 1929. The answer filed August 31, 1929, admitted participation in the *Simplicator* case and set-up among other defenses that Smith and the H. E. Smith Company, Rowe and the Reverend Father Calhoun as prior users. Further in answering, Arlac, alleged *upon information and belief,* that Dick was not entitled to relief in a court of equity because it did not come into court with *clean hands,* and in support thereof alleged that Dick had been guilty of buying up and suppressing evidence.

In aid of these defenses, Arlac's counsel called and and examined Smith, Rowe and Dick Senior, in an effort to ascertain the truth as to (a) the facts with regard to the early work of Smith and Rowe, (b) what these men knew about the work of Father Calhoun and (c) the precise contractual relations between Dick and Smith on the one hand and Dick and Rowe on the other. Before the questions were put by Jo Baily Brown (counsel for Arlac) Cox, Dick's attorney, placed on the record his objections and protested on the ground that they related to matters which could not be properly investigated or relitigated since the validity of the patent was *res adjudicata,* because of the decision of the *Simplicator* suit. Brown had no actual knowledge prior to the taking of the Smith and Rowe dep-

37. *Dick* v. *Arlac,* 46 F. 2d, p. 899.

ositions of the fact that the agreements existed, except a memorandum received from one Clarence A. Williams, a patent attorney. He made efforts to get the contracts from Cox and was told that it was none of his business; that they related to private matters and he would not give them up. Brown for the first time, saw the agreements during the hearings in the present proceedings before Judge Medina (M. App. Vol. II, pp. 676-677, 678-684).[38]

At this point, we respectfully call this court's attention to certain questions propounded to Smith, Rowe and Seward and their answers thereto that have a direct and material bearing upon the issue of suppression and concealment in this proceeding (see Appendix to this brief, pp. 93-121).

It is to be noted that Smith, with the help and acquiesence of Cox and Seward who knew the truth to be to the contrary to what was said, not only testified in *1929*, that the agreements were *"very personal" in nature and irrelevant to the Arlac case*, but also that *he affirmatively stated that he was not receiving and had not, since 1926* (1927), *received any compensation of any kind from the Dick Company or anybody connected with it. The proof deduced in the present proceeding shows that from between 1927 and 1931, Smith personally received $100,000.00 from Dick.*

It is apparent that the successful concealment of the Dick-Smith and Dick-Rowe agreements were indulged in by A. B. Dick, Senior, the President of the company and Dick, Junior, the Vice-President, the same as by Smith and Rowe, and Arlac was precluded thereby from getting access to these transactions and agreements. Regardless of the opportunity presented to A. B. Dick, Senior, and Dick, Junior to reveal the truth as to the Smith and Rowe transactions and particularly to furnish the concealed agreements to Arlac, they failed to avail themselves of this opportunity and gave false and misleading answers in their

38. Memorandum entitled "Memorandum on Hill patent, No. 1,526,082, Clarence A. Williams."

testimony, and to the interrogatories (see Appendix to this brief, pp. 131-134).

Arlac on being thwarted, in its attempts to get to the root of the Smith and Rowe deals and obtaining access to the Smith, Dick and Rowe contracts, by the refusal of Smith, Rowe and Dick to divulge their contents (as so advised by Cox), Arlac on February 27, 1930, filed a motion for an order requiring Dick to produce the agreements and submitted briefs in support thereof (M. App. Vol. II, pp. 680-688).[39]

Cox opposed the motion and stated in open court, that the contracts had no possible relevancy to the case in that they contained private matters which the court ought not to require Dick to disclose to a competitor. Cox submitted a memorandum wherein he said in part, that Dick resisted the motion as being improper because the production of the agreements would *irreparably damage Dick* and that the contracts certainly were not evidence in the case. Cox further falsely argued that the matter had been passed upon by the Circuit Court of Appeals, Second Circuit, in the *Simplicator* case, therefore being *res adjudicata*, against Arlac (M. App. Vol. II, pp. 686-687).[40]

It will be observed from a reading of Cox's memorandum that he having actual knowledge of the facts concerning Smith's and Rowe's knowledge or know-how of prior use, the contingency arrangements provided in the agreements, studiously refrained from exposing to the court the actual terms and provisions of the agreements. The court was deceived into believing that Cox was stating the truth and was not withholding any material fact.

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39. A. C. Ex. 200, Memorandum for plaintiff on motion to require plaintiff to produce certain contracts signed Byrnes, Stebbins, Parmalee & Blenko, attorneys for Dick, receiving date on first page, March 5, 1930, printed in D. App., pp. 1094-1102).

40. A. C. Ex. 201, Memorandum in support of motion to require plaintiff to produce Smith and Rowe contracts signed Jo. Baily Brown, March 4, 1930.

A. C. Ex. 91, Letter of December 3, 1929, from A. B. Dick, Sr. to A. B. Dick, Jr.

At the time that Cox was pleading with Judge McVicar not to order the production of the contracts he was under clear cut directions of (Dick) *"that every effort possible should be made to keep the contracts out of the case", and that Cox was not "to lose our (Dick's) hold on that patent case by some fool judge in Pittsburgh"* (A. C. Ex. 71).

Judge McVicar, relying upon Cox's false statements and misrepresentations as to the true contents, and intent of the agreements, ruled that the agreements need not be produced, and held that he could not escape the impact of the *Simplicator* decree, that the doctrine of *res judicata* was applicable. The Circuit Court of Appeals, Third Circuit, in affirming Judge McVicar's decision held that it could find no error in Judge McVicar's holding that the decree in the *Simplicator* case was *res judicata.*

The next case to which we will refer briefly is *Dick* v. *Heyer,* United States District Court, Northern District of Illinois.

THE HEYER CASE.[41]

The complaint was filed on August 26, 1929, the answer filed September 21, 1929. *Dick was represented by Fisher,* the attorney who had formerly been employed by Smith and Seward in the *Dick-Hesco-Smith* litigation. Heyer, *upon information and belief* pleaded that Dick-Smith and Rowe had engaged in acts and proceedings of an iniquitous and collusive nature instituted for the purpose of suppressing evidence. Heyer, *like Simplicator and Arlac,* strenuously attempted to unearth and lay before the court the relation contractually existing between Dick and Smith and Dick and Rowe. *Like in the Simplicator and Arlac cases,* Heyer's efforts to get the agreements before the court by way of interrogatories and motions were all

41. *Heyer Duplicator Co.* v. *A. B. Dick Co.,* 59 F. 2d, 787 (C. C. A. 7, 1932).

blocked by Dick's willful misrepresentation and false statements made by Dick, and its counsel.

The Court, after citing the *Simplicator and Arlac cases as res judicata,* sustained the patent, and directed that a decree issue to Dick. The Circuit Court of Appeals, Seventh Circuit in a *per curiam* memorandum affirmed the decree and adopted the opinion of the District Court.

THE MARR CASE.[42]

Dick brought the instant case against Marr on August 7, 1929, in the United States District Court, Southern District of New York. Marr, in his answer and counterclaim filed October 11, 1929, pleaded, *upon information and belief,* the prior use of Smith and Rowe, and that certain agreements of a collusive nature had been entered into between Dick and Smith, and Dick and Rowe.

Marr propounded certain written interrogatories to A. B. Dick, President of the A. B. Dick Company, designed to elicit the truth of the defense of suppression and concealment of evidence. Dick filed objections to the interrogatories on the ground that they called for the production of agreements that related to matters affecting only Dick and the parties thereto, and not in any wise affecting Marr or others, and on the further ground that Marr was prying into details and relations between Dick and third parties, which had no bearing on the validity of the patent in suit, and should not be discussed (M. App. Vol. I, pp. 73-83; 84-85).

A. B. Dick, Senior, answered these interrogatories under oath, stating that the terms of the agreements with Smith and Rowe were immaterial and irrelevant and concerned matters affecting only the parties to the agreements. He refused to produce the agreements (M. App. Vol. I, 86-97).

42. *Dick* v. *Marr*, 95 F. Supp. 83.

The Court's attention is called to the quoted interrogatories and answers thereto as illustrative of the evasive evidence that Dick permitted to become of record. (See appendix to this brief, pp. 132-134).

The Appellate Courts, *having held that Arlac and Heyer were bound by the Simplicator case*, Dick Senior having denied under oath, that Smith was receiving compensation from Dick, and having stated that the relations between Smith and Rowe were personal, Mr. Robert W. Byerly (Dick's attorney), having obtained for Dick a preliminary injunction against Marr, said injunction being based on the decision in the *Simplicator* case, Mr. Byerly, having assured counsel for Marr that the agreements were personal and of a purely business nature, Marr having been pillored from post to post and faced with accounting and contempt proceedings, decided that it would be to his best interest to accept Dick's offer to waive profits, damages and accounting. Dick and Marr then entered into a stipulation whereby they agreed that the issue of infringement of a stencil sheet sold after the issuance of the preliminary injunction and not referred to in the complaint, be presented to the court, at the trial of the case, as fully as if Dick had filed a supplemental complaint charging infringement of said sheet, and Marr had filed an answer to such supplemental bill denying such infringement.[43] This stipulation provided that Marr did not waive his counterclaim and would not be foreclosed from contending that prior use or knowledge limited the scope of the Hill patent. Marr, was thereafter precluded by the Special Master, from introducing evidence of prior use, thereby deprived of his day in court on the ground that the patent had been adjudicated valid in the *Simplicator* case, and on the further ground that prior use was not admissible in an accounting proceeding.

43. Stipulation between Dick and Marr, dated June 11, 1931, printed M. App. Vol. I, pp. 70-72.

At the trial before Judge Patterson, Dick's counsel laid particular stress upon the decision in the *Simplicator, Arlac* and *Heyer* cases, asserting that the doctrine of *res judicata* applied, and held that he was bound by the decisions in these cases, signed an Interlocutory Decree granting Dick an injunction and accounting.

Judge Medina, in the present proceeding said, "that it did not make a bit of difference how much lack of diligence there was on the part of Marr or what their motives might have been in doing, one thing or another there might nevertheless have been fraud perpetrated upon the courts" (M. App. Vol. I, p. 350).

We have stressed the strategy of Dick in the foregoing cases, *first because of their importance and secondly, because they spell out a clear pattern as to how material evidence was successfully suppressed, concealed and controlled by Dick.* Marr "never got the contracts nor learned the terms of the contracts between Rowe, Smith and Dick until introduced in the present proceeding" (M. App. Vol. II, pp. 298).

Dick by its shenanigans thought it had laid these agreements to rest for all time. But like "Banquo's Ghost" they eventually arose to haunt Dick until this day. Dick set-up every road block possible to prevent their resurrection. If it had not been for Marr's tenacity in holding off Dick, and the untiring efforts of representatives of the Department of Justice, they would be still reposing in the "secret files" of Dick. *They came to public light by chance in 1946,* when the Department of Justice was investigating Dick's conduct in respect to violations of the Anti-Trust Laws, which proceedings culminated in the indictment filed against Dick charging it with suppression or attempt to suppress evidence and the issuance of the mandate of this Court to the Circuit Court of Appeals, Second Circuit. It required consid-

erable effort on the Government's part to unearth these agreements—it was not easy (M. App. Vol. II, pp. 285-294; 697-710).

Seward wrote Smith at Palm Beach, Florida on March 7, 1928, that an agent of the Department of Justice had called to see him respecting the dry stencil situation, and especially to inquire about Smith's settlement with Dick. Smith acknowledged receipt of this letter on March 12, 1928, and advised Seward that he had also been informed by a Mr. Longfield, that an agent of the Department of Justice had called at Smith's office in Newark, and insisted on seeing Smith. In this letter, Smith asked, *"if there is any special way to handle the matter in the event of an interview on my return, please advise"*. And on March 15, 1928, Seward replied to Smith, stating, *"you may wish to keep secret your private affairs, such as amount of money received and such"* (M. App. Vol. II, pp. 464-466, 471-473, 606-609).[44]

The question may be asked, what harm could have been done Dick to divulge this information to the Justice Department if the transaction was honest and undefiled? The answer is simple. Smith and Seward knew that the transaction was tainted with corruption. On Smith's return to Newark in or about March 1928, he was interviewed by an agent of the Feedral Bureau of Investigation, and refused to give a copy of the agreement to the agent. *The trial of the Simplicator case was still pending and Smith still had a $10,000.00 contingency payment coming to him dependent upon the court adjudicating the Hill patent valid* (M. App. Vol. II, pp. 446-448, 459-465; 471). In *1932,* and after

44. A. C. Ex. 139, Carbon copy of letter, Seward to Smith, March 7, 1928.
A. C. Ex. 140, Letter from H. E. Smith to Seward, March 12, 1928.
A. C. Ex. 141, Carbon copy of letter, Seward to Smith, March 15, 1928.
A. C. Ex. 142, Five letters between March 26, 1928 and July 9, 1929; Seward to Smith.
A. C. Ex. 143, Letter from Dick, Jr. to H. E. Smith, April 27, 1931.
A. C. Ex. 144, Letter dated April 22, 1931.

favorable disposition of the *Simplicator* case in 1929, and after receiving from Dick the final payment of $10,000.00, Smith turned over to the Federal Bureau of Investigation a copy of the agreement. Smith admitted that he concealed the elements of the agreements, and never turned the contract over to any court or litigant. That he considered the amount of money involved and the consideration of payment to be a personal matter. Smith further testified that Seward or Cox, had advised him that he need not show the contracts. Seward testified that as Smith had a $10,000.00 stake in the pending *Simplicator* case the successful outcome was of some importance to Smith (M. App. Vol. II, pp. 446-447, 450-451, 459-461, 469-471, 607-608).

Rowe testified, that he never gave anybody a copy of the two contracts. In October 1932, an agent of the Federal Bureau of Investigation interviewed Rowe at his home in Beachwood, New Jersey. Rowe declined to give any information concerning the terms of the agreements. He declined to furnish a copy of these agreements to the agent of the Federal Bureau of Investigation, and referred him to McChristie, his attorney who, in turn, declined to produce copies or supply details about them. *The Rowe agreements like the Smith agreements did not come to public light until 1946, under circumstances hereafter related* (M. App. pp. 657-664).

On August 12, 1932, John Lord O'Brien, then Assistant to the Attorney General, wrote requesting that he be furnished with a summary of all contracts made by Dick. Under date of September 29, 1932, Dick replied and enclosed a memorandum entitled, "Memorandum in Response to Department's Letter of August 12, 1932". This memorandum stated that the Dick Company had not within the last fifteen (15) years acquired any competing business by purchasing either the capital stock or the assets

of any such business, and failed to mention the Smith and Rowe agreements.[45]

On October 11, 1932, the law firm of Messrs. Wackerman and MacGregor, attorneys for Mrs. Williams, the widow of Williams of Rowe-Williams Incorporated, wrote to Dick and asked for the terms of the agreements. An evasive reply to this request was given by Mr. Byerly, counsel for Dick, on October 27, 1942.[46]

In April 1945, Mr. Lester L. Jay, attorney connected with the United States Department of Justice, assigned to the Anti-Trust Division, appeared at the A. B. Dick Company, in Chicago, and interviewed Mr. A. B. Dick, Junior, in regard to the existence of the agreements. In line with his father's instructions not to permit the contracts to come before a court, Dick, Jr. stated to Jay that no one was in charge of the files—that they had "grown up like topsy". That there was a "little old lady" on a semi-pension basis, who dusted off the files. *That the contract files had been destroyed a short time before Jay's arrival.* Dick, Jr. referred Jay to a Dr. Chambers, who informed Jay that there were no such files and no Smith or Rowe contracts. Mr. Jay later learned that Dick had an elaborate and up-to-date filing system, and that the "little old lady" was a very charming "young lady", in charge of these files. *He also discovered through certain markings on envelopes found in the "vault files", that the Smith and Rowe agreements had been in the files.* After the representatives of the Department of Justice had been given a "terrible run-around and lied to", the agreements were eventually produced. This investigation also disclosed, that one or more of Father Calhoun's early art stencils had been in the Dick files. It dis-

45. A. C. Ex. 24, Letter from Dept. of Justice to plaintiff's attorney, August 12, 1932.
A. C. Ex. 25, Reply to Ex. 24 from plaintiff's attorney to Dept. of Justice.

46. A. C. Ex. 204, Wackerman and McGregor letters.

appeared in a nebula of mystery (M. App. Vol. II, pp. 697-710).

The Concealed Dick-Smith and Dick-Rowe Agreements.

The agreements *per se* are tainted with corruption in that Smith and Rowe were contaminated by the payment of money to keep secret the prior use and to suppress evidence pertaining thereto. Trimming the verbiage of the Dick-Smith-Rowe agreements of their non-essential elements, for the purpose of ascertaining their actual objectives, we find the real intent of the parties to be spotlighted, i.e. a clear intent to defraud litigants and the public by suppressing evidence. *In these four agreements an anomalous and extraordinary situation arises, viz: a complaining party in a patent law suit, paying to defending parties, substantial sums of money in settlement of pending litigations.* Such a situation is illogical and in contradiction to normal practice, in the prosecution of conducting a patent law suit. For analysis of agreements see Appendix to this brief (pp. 78-79).

It is amazing how Roy C. Hackley, Jr., Special Assistant to the Attorney General, elicited the facts through the lips of Smith, Seward, Rowe and Dick, Jr., hostile, reluctant witnesses, masters in the art of forgetfulness and non-recollection; witnesses who when asked questions pertinent to the questions pertaining to the issues, fell back on lack of memory or failure of recollection, even when confronted with documentary proof, but always keen to remember or recall incidents or events that would tend to absolve them from the consequences of their guilt, of being a party to a conspiracy to obstruct justice.

Smith admitted that he lied in giving testimony in the *Arlac* case; Rowe admitted that he double-crossed the

stockholders of his own corporation, and they both gave misleading and untruthful answers when asked to produce the agreements or divulge their contents. Albert B. Dick, Jr., testified that he had no recollection of assisting counsel in the bringing and maintaining litigation on the Hill patent (S. T. M., p. 3000) and that he had no recollection of ever signing Bills of Complaint, etc. The record shows, however, that from 1929 through 1938 Mr. Dick signed numerous bills of complaint in actions brought under the Hill patent, affidavits in connection with injunctions and contempt proceedings, petitions and stipulations in these litigations, and that he signed at least three settlement agreements. Everything that was done by Dick, Jr., in connection with the litigation was done under oath and with the knowledge that the court would rely on them (S. T. M. pp. 3157-3158; M. App., Vol. II, pp. 715, 716, 715-720, 735-737, A. C. Ex. 206).

It would be regrettable if this tactic of claiming ignorance and falling back on lack of recollection when past associations and deeds were mentioned, should enable Dick not to be held accountable for its past misdeeds in interferring with the orderly procedure of justice.

We just cannot accept the picture of Dick, and its fellow coconspirators, being innocent participants in a scheme to practice a fraud upon the courts, who never intended or realized that they were major characters in this scheme to suppress evidence. Dick and his cohorts knew what they were after, and went about it with a single-minded intensity and with absolute disregard of the public interest and integrity of the court. It goes against the principles of our great system of justice to place the stamp of judicial approval upon Dick's nefarious acts. To condone these fraudulent acts on the theory that these large sums of money were paid by Dick to Smith and Rowe, simply because Dick considered them as "potential competitors", and the possessors of "subsidiary

patents" would require a mental outlook bordering on extreme naiveness, or a strange philosophical approach which would leave the answer to the serious question before this Court in a state of flux.

We cannot go along with the logic of the District Judge, where in one breath he says—"these transactions might together with others, constitute violations of the Anti-Trust Laws" (Opinion—M. App. Vol. I, 243), and with the next breath, says—"The facts are not only susceptible of an innocent and innocuous interpretation, but as I view them, they require such an interpretation" (Opinion M. App. Vol. I, 256). We think it requires a peculiar mental approach or a strange philosophy that fails to recognize that by the contingency provisions of the agreements, the admissions of both Smith and Rowe amply supported by documentary proof, that a fraud was perpetrated on the courts and public, and that this is a clear case of obstructing justice.

PROPOSITIONS OF LAW AND ARGUMENT.

On Question Number One:

Was the dismissal of the action by the District Court improperly and improvidently granted?

The granting of the order dismissing the action with prejudice, upon plaintiff's motion, was an abuse of judicial discretion.

The general rule is that after the entry of judgment it is too late to dismiss the case, except upon the consent of the parties. In the present case there is involved Petitioner's counter claim, and cross petition for relief. Furthermore, there is the important issue of public interest raised by the Solicitor General before this Court and more fully set forth in the "Notice of Issue and Facts Bearing

Thereon To Be Presented By the United States, *Amicus Curiae*", as presented to the District Court.

The application to dismiss is addressed to the legal, not the arbitrary, discretion of the court, and it cannot capriciously grant or deny it.

The cases cited *infra* support the reason why Medina, J., should have denied Dick's motion. The court should have considered whether anything had occurred since the commencement of the action which would so far prejudice defendant's (Marr's) interest in the event of dismissal as to require a denial. He should have considered that where a patent is involved there are pertinent reasons why the rule which guides the court in determining whether to allow a dismissal in ordinary actions cannot be strictly applied, viz:

1. The rights of the party to the case are not alone to be considered, the public is regarded as a party and must be treated as such by the Court.

2. Because of the public interest the Court has been invested with a wider discretion in the control of the course of the procedure where the public interest is involved than in others, therefore the court should not abuse its discretionary powers, if it is prejudicial to the rights of the public or others.

3. Because of the entry of final judgment a dismissal would be a violation of the vested rights of the defendant.

As said in *Churchward International Steel Co.* v. *Carnegie Steel Co.*, 286 F. 158, 160, "Then too, it seems that the public has an interest * * * because what is embraced within the patent belongs to the public, and the patent itself is a grant to the public"; and as said in *Snider* v. *Sand Springs Ry. Co.*, 62 F. 2d, 635, at pp. 636-637, "The

courts are not organized for the purpose of permitting the plaintiff in an action to experiment with a certain state of facts * * * and then permit him to withdraw * * *. Such policy, if adopted, would be productive of much mischief and should not be tolerated," citing *Parks* v. *Southern Ry. Co.*, 143 F. 276, 279-280. See also *Spies* v. *Union Pacific RR Co.*, 250 F. 434, 435.

Rule 41 (a) Rules Civil Procedure, does not accord the right to dismiss without prejudice after judgment. This right should not be abused.

Ockert v. *Union Barge Line Corp.*, 190 F. 2d, 303, 304;
Lackner Co. v. *Quehl Sign Co.*, 145 F. 2d 932, 934;
Trico Products Corp. v. *Anderson Co.*, 147 F. 2d 721;
Home Owners Loan Corp. v. *Huffman*, 134 F. 2d, 314;
Western Union Telegraph Co. v. *Dismang*, 106 F. 2d, 362, 364;
Ball v. *Trenholm*, 45 F. 588.
Henjes v. *Aetna Insurance Co.*, 39 F. Supp. 418, 419.

This Court has held that where legal prejudice will result to a defendant and others a plaintiff does not possess the absolute right to dismiss.

Georgia Power Co. v. *T.V.A.*, 89 F. 2d, 218, 220; Certiorari denied 302 U. S. 692, 693;
Jones v. *Securities Exchange Commission*, 298 U. S. 1, 19-23, Reversing 79 F. 2d 617;
In Re Palmenberg Sons, 76 F. 2d, 935, Certiorari granted; *Bronx Brass Foundry Co.* v. *Irving Trust Co.*, 296 U. S. 565, Aff'd 297 U. S. 230;
Pullman's Palace Car Co. v. *Central Transportation Co.*, 171 U. S. 138, 145-146;

C. & A. R. R. Co. v. *Union Rolling Mill Co.*, 109 U. S. 702, 712-718.

The Court of Appeals' concept is that Dick should not be held accountable for the alleged fraud it perpetrated upon the Courts and public, because, whatever it did, the dismissal of the suit by Medina, J., left the situation as though a suit had never been brought.

In support of this ruling the Lower Court cites: *Ericson* v. *Slomer*, 94 F. 2d, 437; *Maryland Casualty Co.* v. *Latham*, 41 F. 2d, 312; *Bryan* v. *Smith*, 174 F. 2d, 212 and *U. S.* v. *Alaska S. S. Co.*, 253 U. S. 113. We have examined the cases relied upon. They all pertain to the operation and effect of a voluntary dismissal of a suit, and not to the right of the District Court to grant a dismissal after a trial and entry of judgment, where legal prejudice will result to a defendant and the public which has an interest in the suit. These cases are clearly distinguishable from the present unique proceeding. The cases relied upon by the Lower Court are not controlling in that they do not support, and are no authority for the proposition, that the District Court had the judicial power to vacate and dismiss a judgment previously made in an action, where the defendant and public had an interest therein. This proceeding did not come to an end by the mutual act of the parties, or operation of law, therefore, the case did not become "moot".

At common law a suitor, if he applied therefore at the proper time, ordinarily had a right to dismiss a suit previously commenced by him, except where the rights of other parties had accrued and injustice would be done to them by permitting the dismissal. As said by Mr. Chief Justice Taft, "It is ordinarily the undisputed right of plaintiff to dismiss a bill in equity before final hearing", the exception being, "where a dismissal of the bill would

prejudice the defendant". *Ex Parte Skinner & Eddy Corp.*, 265 U. S. 86. This question is discussed and authorities correlated in *Detroit* v. *Detroit Railway Co.*, 55 F. 569, 572; *Pullman's Car Co.* v. *Transportation Co.*, 171 U. S. 138, 146. Plaintiff has no absolute right, at all times, and under all circumstances to dismiss; such a right is dependent on the effect it will have on the rights of the defendant, and as in the present case the public interest. He may not seek the process of the Court for his own advantage, or ulterior purpose. *Kilpatrick* v. *Texas P. Ry. Co.*, 72 F. Supp. 632, 633-4. Where persons other than plaintiffs are interested in the suit dismissal should not be granted if their rights will be prejudiced after trial and entry of judgment.

The appeal should not have been nullified and declared "moot" when it appears that the rights of the petitioner and the public has been affected. The result of this improper dismissal was to nullify the merits of this whole proceeding, bar the granting of affirmative relief, block the carrying out of the mandate of this Court directing the inquiry into the question "Whether respondent's prosecution of the instant case may not constitute a fraud upon the courts," and interfere with the substantial rights the public has in a patent.

Cases of Interest:

Dooley v. *Fritz*, 38 F. 2d, 123, 124;
Gilbert Co. v. *United Electrical Mfg. Co.*, 33 F. 2d, 760, 761-762;
Greenville Bankers Trust Co. v. *Selcow*, 25 F. 2d, 78, 80 and cases cited;
Clifton v. *Tomb*, 21 F. 2d, 893, 896;
Hills v. *Federal Optical Co.*, 295 F. 213, 214-215;
Bell Telephone Co. v. *Western Union Telephone Co.*, 69 F. 666, 670.

See also:

Corpus Juris Secundum (Dismissal and Non-Suit) Vol. 27, Sections 26, 27, 28 and 68.

QUESTIONS NUMBER TWO AND THREE.

Question Two:

Does the granting of plaintiff's (respondent's) motion to dismiss the entire case and, the entry of an order thereon:—(a) Deprive and bar the Government or petitioner from the right of appeal from said order and have the issues reviewed on their merits; (b) Vitiate and annul all prior proceedings and orders in the case and terminate jurisdiction over the case; (c) Make the appeal moot and, (d) Leave the original Dick suit and inquiry directed by the Supreme Court the same as though the suit had never been brought?

Question Three:

The Circuit Court of Appeals, Second Circuit, in construing the mandate of the Supreme Court of the United States directing that the question of fraud upon the courts, as raised by the Solicitor General be considered and inquired into, held that—"ONLY IN CASE IT (DISTRICT COURT) FINDS THAT THE PROSECUTION DID SO CONSTITUTE A FRAUD, IS IT TO VACATE THE JUDGMENT AND TAKE SUCH FURTHER ACTION AS MAY BE PROPER,"—The District Court thereafter held that the prosecution did NOT so constitute a fraud, upon plaintiff's motion, entered an order dismissing the case, with prejudice, Quere—Which mandate or order—i.e., the mandate of the

Supreme Court of the United States, as construed by the Circuit Court of Appeals, Second Circuit, or the order of the District Court for the Southern District of New York—is entitled to primary recognition and enforcement.

(Without reiterating the matters discussed under *Question One, Supra*) we believe that it was the intent of this Court to have the question "whether respondent's prosecution of the instant case may not constitute a fraud upon the courts" fully explored by the Court of Appeals. Such an inquiry has not been made. If the concept of the Court of Appeals is to be followed, much confusion is bound to result. The question will arise, at what point may a party, by his own act, assume the right to obstruct justice, bar the Appellate Courts from a complete consideration of the serious charge of fraud upon the courts, and make ineffective and destroy the validity and force of all prior proceedings and orders in the case, and terminate jurisdiction over it.

The over-riding consideration in this case is the integrity of the Courts. It should not be frustrated by the act of one charged with interfering with the judicial process. Even if the rights of Petitioner were not here involved, we would be greatly concerned over this ruling. It predisposes that Judge Medina, had full authority to vacate the judgment. It creates a breeding ground for future controversy. Exactly what will be the result, if this ruling is not changed by this Court,—an aggrieved litigant, especially in cases where fraud is the paramount issue, would be deprived of his rights of appeal, and recoupment for expenses and damages resulting from the acts of the accused party. The action of the Court of Appeals, in dismissing the appeal has been to deprive Petitioner of his right to recoupment, and has divested the Appellate Courts of the right of review. Unrestricted enjoyment of

that right should be protected by Appellate Courts when infringed by trial courts. To counsel, the views stated herein are correct law. The Court of Appeals has raised this disturbing question. Only a firm statement to the contrary by this Court can correct this error of law.

ON QUESTIONS FOUR AND FIVE:

Question Four:

> **Did the dismissal of the case give the Petitioner all the relief, and the only relief, to which he would be entitled had the allegations of fraud, as raised by the Government, been sustained?**

Question Five:

> **Had the Court of Appeals found that the Petitioner had been guilty of perpetrating a fraud upon the Courts, would the Court of Appeals have had the inherent right to issue its mandate to the District Court, directing it to set aside its judgment rendered in favor of the Respondent and against the Petitioner, on October 2, 1943, and to take such additional action as may be necessary and appropriate?**

The lower court in its opinion, said, "even if the case was not moot, all that Petitioner could recover would be ordinary costs"; that "failure to ask for an award of anything more than ordinary costs barred Petitioner from taking an appeal"; that "a mere general claim for damages, asserted in a counter-claim allowed to lie completely fallow for twenty-three years is not enough to keep the litigation alive" and, "that on this appeal * * * the only relief which could be afforded in the event of a finding of fraud would be to apply the doctrine and dismiss the case." These rulings do not appear to be in conformity with the decisions

of the Supreme Court. Petitioner claimed damages and costs in the original suit. He also reasserted this claim in his petition filed in the present proceeding. Even if he had failed to do so, his right to damages and costs was not waived in the event it should be found that a fraud was perpetrated upon the courts.

This is not a "civil suit for patent infringement." The important question before this Court is—did the Dick Company perpetrate a fraud upon the courts. If it did, it, along with those who participated should be called to answer for their transgressions and sins.

The power of the Federal Courts to give costs, as much as the entire expenses of the entire litigation, is fully discussed in *Sprague* v. *Ticonic National Bank*, 307 U. S. 161, 164-168. In this case, it was held that such costs, "are not of a routine character like ordinary taxable costs; they are contingent upon the exigencies of equitable litigation, the final disposition of which in its entire process including appeal places such a claim in much better perspective than it would have at an earlier stage" (p. 168). An important case on the question of recovery of costs and damages is, *Shawkee Mfg. Co.* v. *Hartford Co.*, 322 U. S. 271. In the final paragraph, page 274, this Court directed that the Circuit Court of Appeals "permit Shawkee and others to bring such further proceedings as may be appropriate." Shawkee thereafter instituted proceedings for costs and damages in the District Court (67 Fed. Supp. 26). Cross appeals were taken to the Circuit Court of Appeals, Third Circuit (1947), and it was held that the injured parties were entitled to an award in accordance with the opinion. As said in *Universal Oil Company* v. *Root Refining Co.*, 328 U. S. 575, at page 580, "No doubt if the court finds, after a proper hearing, that a fraud has been practiced upon it, or that the very temple of justice has been defiled, the entire cost of the proceeding could justly be assessed against the guilty parties. The assessment of

costs and damages may appropriately be asserted by petition after the suit has been finally disposed of. The right was not waived by failure to claim it expressly in the original suit." See, *Sprague* v. *Ticonic National Bank*, Supra. In fact Petitioner did claim costs and damages in his counterclaim in the original suit, and reasserted such a claim in his cross-petition in the present proceeding. If it should be found that fraud had been perpetrated on the courts, Petitioner, as a matter of law, would be entitled to recover costs and damages sustained by him because of Dick's suppression of evidence, and the unlawful use of the Hill patent. The assessment of damages and costs could be a matter of a separate proceeding in the District Court which entered the judgment of infringement.

ON QUESTION NUMBER SIX:

When, in an equity case, which involves a question of public interest as well as the interests of an adverse party, the law officers of the United States serving as amici, as the Solicitor General did in the present case; is it primarily the function of said officers to prosecute the appeal in order to protect the public, or does the fact that the Petitioner continued the prosecution of the appeal, at the instance of the Government, make the case "moot"?

Petitioner instituted this appeal at the request of the Government. Counsel for the United States moved for an order for leave to file a brief and argue as *amicus curiae* (M. App. Vol. I, p. 279).

The lower court has stated that "it is primarily the function of the law officers of the United States serving as *amici* * * * to protect the public interest." Such a rule only exists where the vacation of a patent is concerned. This, "can only be accomplished in a direct proceeding

brought by the Government." *United States* v. *American Bell Telephone Company*, 128 U. S. 315, 334.

This whole proceeding being unusual and unique, probably the first in our judicial history, where in the course of a pending writ for certiorari, the Government intervened and urged that charges of "fraud upon the Court", be considered, counsel is at loss to comprehend why it was not Petitioner's duty primarily "to protect the public interest by bringing to book those who have defiled the purity of the judicial process," and, secondarily to protect his own interest. The public interest being superior to all others, there should be no debatable question as to who should have the right to prosecute the appeal.

We fail to see under the facts and circumstances, why Petitioner should not be expected to do all within his power to uncover the fraud. This Court has held that fraud should be unearthed effectively. *Universal Oil Co.* v. *Root Refining Co.*, 328 U. S. 575, 580.

The holding of the lower court is particularly unfortunate, in that, the Supreme Court has in several decisions pointed out, in rather persuasive language, that matters of this nature do not cover only private parties; they are issues of great moment to the public; *Mercoid Corporation* v. *Midcontinent Investment Co.*, 320 U. S. 661, 670; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; 492-494; *U. S.* v. *Masonite Corp.*, 316 U. S. 265, 277; *Shawkee Mfg. Co.* v. *Hartford*, 322 U. S. 271, 273. Furthermore, tampering with the administration of justice * * * involves more than an injury to a single litigant. It is a wrong against the institutions set-up to protect and safeguard the public institutions in which fraud cannot complacently be tolerated consistently with the good order of society." *Hazel-Atlas Co.* v. *Hartford Empire Co.*, 322 U. S. 238, 246. " * * * Courts must have the power to deal with attempts to disrupt the course of justice. This safeguard concerns not merely liti-

gants in a particular case; it is everyone's concern * * *." *Sacher* v. *U. S.*, 96 L. Ed. 437, 450, Advance Opinions, Vol. 96, No. 10, March 24, 1952.

Shall such decisions have any lesser effect when a litigant is performing his duty to the court and the public, and especially when he has been requested by his own Government to take the appeal?

We find no case that gives support to the lower court's ruling.

ON QUESTION SEVEN.

Question Seven:

Was it equitable and proper to award costs to the plaintiff (respondent)?

The order signed by the Court of Appeals provides, "that the appeal herein be and the same is hereby dismissed at the cost of the appellant".

Respondent waived the filing of a bond for costs on appeal (Marr App. Vol. I, p. 278) and asked for no costs in its brief. The "order on mandate" signed by Medina, J., contained no provision for the payment of costs (Marr's App. Vol. I, pp. 273-274). Undoubtedly on the theory that the United States as a sovereignty is protected against judgments for costs. Rule 54 (D) Rules Civil Procedure.

In equity costs should depend upon conscience and upon a full view of the whole merits of the case. They rest and should be exercised under a consideration of all the circumstances. In a special proceeding, such as this, "certainly it is not consonant with regard for fastidiousness which should govern a court of equity to award costs", that are in the nature of a penalty or castigation of one who is simply performing his duty to the courts.

The general rule of costs, is that the party in the wrong pays the costs. The giving thereof should be exer-

cised with reference to the principles of equity and the special circumstances of the case, and should be exercised with sound discretion. It is rather anomalous to say that the Petitioner is the wrongdoer and that Respondent should be rewarded for its interference with the orderly procedure of justice. Petitioner did not raise the question as to whether there had been interference with the judicial process. He was compelled to participate in this proceeding by the acts of the Solicitor General, who, through his own volition brought the Government as an intervenor, into the case. From that point on Petitioner became the vehicle through which the charges as made by the Government, culminating in the inquiry directed by this Court, were brought to hearing and appeal.

In this proceeding a substantial matter of controversy interposed by the Government has arisen. The Government by its intervention and charges of fraud made Respondent the culprit,—not the Petitioner. The inquiry into the charge of fraud upon the courts was ordered by this Court for the benefit of the courts and public to a true understanding of the charge of fraud as made. It cannot rightfully be said, that Petitioner, or his counsel, in participating in this appeal, at the behest of the Government, did so in bad faith. The Petitioner who was led to carry through with the mandate of the highest court of the land, should not be charged with costs, especially when the appeal has been dismissed on purely procedural grounds, and no action taken upon the merits. The discretion should be exercised, not arbitrarily, but with reference to the general principles of equity and the special circumstances of the case.

In an appeal where the question of upholding the integrity of the courts and the protection of the public interest, plays such an important and dominating part, a party acting in good faith and in accordance with the dictates of his conscience and in fulfillment of the request of his Gov-

ernment, should not in conscience and justice be charged with costs.

If this unusual and unprecedented order is not modified, so as to eliminate the provisions for the payment of costs, Petitioner will be penalized in the sum of approximately four thousand ($4000); a heavy penalty to pay for performing a duty which was imposed upon him and which he honestly believed and was advised by his Government and counsel, as the proper thing to do.

The costs should not be borne by the Petitioner as the public and the courts have a vital interest in this proceeding.

We find no case that would support the awarding of costs to Respondent.

ON QUESTION NUMBER EIGHT:

(A) Does Lack of Diligence on the Part of the Defendant (Petitioner) to Uncover the Fraud, Preclude the Court From Granting Relief and Vacating a Judgment Obtained by Plaintiff (Respondent) Against the Defendant (Petitioner) Regardless of the Term or Time of Its Entry?

The lack of exercise of diligence in unearthing the fraud, nor lapse of time does not condone fraud. *Hazel-Atlas Co.* v. *Hartford Empire Co.*, 322 U. S. 238. The claim for damages, set-up in Petitioner's counter-claim and cross-petition was not "allowed to lie completely fallow for twenty-three years", the reason being no direct knowledge existed until 1946, that the Dick Company had sown the seeds of corruption and bribery. Dick had every reason to believe that these seeds of frauds were deeply and safely buried. It had hoodwinked the courts and litigants since the *Simplicator* suit in 1929. From this suit the trail of the fraud continued without break until unearthed

by the Department of Justice, in 1946, as a result of a secret Grand Jury proceeding. If it had not been for the deep plowing of this contaminated soil by the Department of Justice, the facts concerning Dick's corruption and suppression of evidence would never had seen the light of day. To paraphrase the language of the Supreme Court—"But even if petitioner did not exercise the highest degree of diligence, Dick's fraud cannot be condoned for that reason alone. This matter does not concern only private parties. There are great issues to the public in a patent suit"—*Hazel-Atlas Company* v. *Hartford Company, Supra,* (p. 246). Sight must not be lost of the fact that Marr's lawyers' failure to press the charges of fraud became futile in view of the decision in the *Simplicator* case, which was held to be *res-adjudicata* and that Marr had no direct knowledge or proof of the true nature of the corrupt agreements, entered into between Dick and Smith, and Dick and Rowe, until after 1946, when these agreements, and the circumstances of their execution, were brought to light by the Department of Justice. From that time on, the Government took control of the case.

Furthermore, the facts pertaining to the fraud were introduced for the first time, in the hearings held before Judge Medina. No court, or judge, has had knowledge of these facts until they were introduced by the Government in the course of the present proceeding.

(B) Did the District Court Rule Correctly on the Evidentiary Value of the Plea of Nolo Contendere in the Anti-Trust Case?

Dick pleaded *nolo contendere* to the indictment in the criminal action in Cleveland (A. C. Exhibit #17, Stipulation #4, A. C. Exhibit #18).

The present proceeding finds its roots in certain criminal charges that Dick suppressed or attempted to suppress

evidence. That these unlawful acts were instigated by Dick, through its officers, directors, attorneys and agents. This present matter being in the nature of a judicial proceeding to determine whether the orderly procedure of justice has been tampered with, we believe brings it without the classification of an ordinary civil action by which one litigant prosecutes a claim or demand against another to obtain a judgment in relation to some right claimed to be secured by law to the party complaining.

While we recognize the Rule which seems to hold that the plea of *nolo contendere* is not available to a litigant in an ordinary civil suit, we do contend that in a unique proceeding of this nature, which involves the serious question of interfering with the administration of justice, that the court should be diligent in protecting itself and the public, and give full credence to the plea. The only advantage of a plea of *nolo contendere* gained by Dick, is that it gave Dick the advantage of not being estopped to deny his guilt. It shifted the burden to Dick of coming forth with evidence to prove its innocence. *Hudson* v. *U. S.*, 272 U. S. 451 (1926); *Root Refining Company* v. *Universal Oil Products Company*, 169 F. 2d 514; *Dick* v. *Marr*, 9 F. R. D. 99; *State* v. *Burnett*, 174 N. C. 796, 93 S. E. 473, 474.

Judge Knox, in *Dick* v. *Marr, Supra*, recognized the distinction when he denied Dick's motion to strike from the petition of Marr all reference to the plea of *nolo contendere*, and held same to be relevant to this proceeding, saying at page 100:

> "The above mentioned action may possibly play an important roll in the history of the issue about to be tried * * *. In *Root Refining Company* v. *Universal Oil Producers Company*, 169 F. 2nd, 514 (C. C. A. 3rd [1948]) the Court did not blind itself to the fact that Judge Davis had been indicted."

In *People* v. *Daiboch,* 265 N. Y. 125, a leading New York case, it was held that a person convicted of forgery was correctly sentenced as a second offender, when a previous indictment for an earlier offense, in New Jersey he pleaded *non vult* (*nolo contendere*). It is clear that the Court of Appeals recognized this plea as an admission of the facts alleged in the indictment, for otherwise, with our high regard for the presumption of innocence and the rights of an accused, the court could never have affirmed his conviction as a second offender if the admission implied in the plea of *non-vult* was limited only to the case in issue.

In *Matter of Schwarz* v. *General Aniline F. Corp.,* 198 Misc. 1046, (N. Y.), the Court held, "In the Court's opinion the effect of the petitioner's conviction upon his plea of *nolo contendere* was an adjudication that the petitioner was liable for misconduct in the performance of his duties." This was a civil suit in which the plaintiff sought to be indemnified for expenses under Par. 64 General Corporation Law (N. Y.) It can be seen that the plea can even be recognized as an admission of the facts pleaded to in a civil suit, where the circumstances warrant.

Dick when confronted with the charge of suppression of evidence, elected to plead guilty. A plea of *nolo contendere,* is a plea of guilty. *U. S.* v. *Norris,* 281 U. S. 619, 623; *U. S.* v. *Frankfort Distillers,* 324 U. S. 293, 294, 296.

The fact that the Supreme Court of the United States predicated its *per curiam* decision and mandate to the Circuit Court of Appeals, upon the "Memorandum of the Solicitor General" calling to its attention the indictment returned against Dick in the Federal District Court in Cleveland, Ohio, we believe supports our contention that the final disposition of the indictment has a material probative effect upon the issues under consideration here. As

said in *Comstock* v. *Group Investors*, 335 U. S. 211, 227 (1948); rehearing denied 335 U. S. 837, "The court may take for its own use, evidence no party would have the right to force upon it."

ON QUESTION NUMBER NINE:

Question Nine:

Where, in an equity case, the paramount issue is whether the plaintiff tampered with the administration of justice, such as charged by the Solicitor General in the present case, which involved more than a harm done to a single litigant, should not the Appellate Courts, in order to safeguard and protect the public institutions and protect the public welfare, search and consider from all angles the charge of fraud, as made, and determine, whether, (A) The plaintiff came into Court with clean hands (B) Did the plaintiff meet that high duty and high burden that rests on litigants in pursuit of relief in patent cases where a public interest is involved, than where rights of ordinary litigants are purely personal, to reveal the truth to the courts and not suppress corrupt activities, (C) Was it the duty of plaintiff and its attorneys, to acquaint the courts with the provisions of the agreements which provided for the payment by plaintiff or others of substantial sums of money to assure their silence as to their knowledge of prior use and sale, and thereby secure a favorable adjudication of the patent and make these persons adverse witnesses for others and (D) Did the attorney client relationship disappear, and was Dick (Respondent) estopped from raising the claim of privilege as to the production of so called "privileged letters and documents"?

The maxim that "he who comes into equity must come with clean hands" is of ancient origin, and is probably as old as the equity courts themselves.

The maxim has been universally applied by courts of equity, in England and the United States for centuries. As was stated in *Dewcese* v. *Reinhard*, 165 U. S. 386, 390, "a Court of Equity acts only when and as conscience commands, and if the conduct of the plaintiff be offensive to the dictates of natural justice, whatever may be the rights he possesses and whatever use he may make of them in a court of law he would be held remediless in a court of equity." Again, in *Bein* v. *Heath*, 6 How 228, 247, 12 L. Ed. 416, it was held that—"It is the principle in chancery that he who asks relief must have acted in good faith. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently, or who by deceit or any unfair means has gained an advantage. To aid a party in such a case would make this court the arbiter of inequity."

The principles of law enunciated in the above quoted cases have been uniformly followed by the Federal Courts down through the years. It has been well established that courts of equity will refuse to grant any relief to those seeking its aid who themselves have been guilty of illegal, deceitful, fraudulent, unfair or unconscionable acts with reference to the matter which they seek the aid of the court. "He must be frank and fair with the courts. Everything that tends to a full and fair determination of the matters in controversy should be placed before the courts" (*Story's Equity Jurisprudence*, 14 Ed., Sec. 98. See also *Pomeroy's Equity Jurisprudence*, 4 Ed., Sec. 397-404).

In this case we have the deliberate act of Dick entering into agreements with Smith and Rowe wherein and whereby they were, through the contingency payments, silenced

forever in regard to their prior use or knowledge of prior use, concerning the manufacture of dry stencils. Such acts, on the part of Dick, bring this case clearly within the principles enunciated by the Supreme Court of the United States. *Keystone Driller Company* v. *General Excavator Company*, 290 U. S. 240; *Precision Instrument Manufacturing Company* v. *Automotive Maintenance Machinery Company*, 324 U. S. 806; *Hazel-Atlas Glass Company* v. *Hartford-Empire Company, Supra; Kingsland* v. *Dorsey*, 338 U. S. 318.

The Keystone Driller Case:

In view of the concise and accurate statement of facts contained in the opinion of the Circuit Court of Appeals and adopted by the Supreme Court, we adopt that statement to avoid controversy:

> "* * * Clutter was offered a merchandise credit of approximately $3,800 * * * of which credit 50% was to be enjoyed forthwith, and the other half was to be given if within two years any of the claims of patent #1,511,114 were held to be valid by a District Court. * * * but it is quite obvious that the credit which had been agreed upon was given to Clutter upon the implied condition that he should keep secret the details and circumstances of that prior use; that so far as he was able to produce this result the evidence was to be suppressed" (p. 49).

The District Court characterized this conduct as "highly reprehensible," but refused to apply the maxim that "one who comes into equity must come with clean hands." To this finding the Circuit Court of Appeals disagreed, saying, at page 50:

> "As long as it was thought desirable, in order to secure an adjudication upon the patent, the hope of

reward for silence was held over Clutter * * *. The only possible effect of such conduct was to suppress Clutter's testimony * * *.

"The plaintiff also contends that * * * was there any obligation upon it to make disclosure of those possible prior uses * * *. This is true, but there was an obligation in all righteousness and good conscience not to do that which was done * * * by purchasing Clutter's silence or at least making him an adverse witness for others, and by continuing the effectiveness of this course of action by making future gains contingent upon a favorable result of the pending action until the very advantage which it was intended should be obtained was at least secured."

We find from a reading of the opinion of the Circuit Court of Appeals that the finding of fraudulent purpose was based on the primary fact that Clutter received contingent payments in exchange for his promise to keep silent until a decree might be entered. All the other "facts", which Judge Medina refers to in his opinion, and which do not seem to be present in the opinion of the Circuit Court of Appeals are inferior and subordinate, as a correct reasoning should show.

Mr. Justice Butler, in writing the opinion of the Supreme Court said, that the evidence was sufficient to support the finding that Clutter was "to keep secret the details of the prior use and so far as he was able, to suppress the evidence"; saying at page 245:

"* * * This Court has declared 'it is a principle in Chancery he who asks relief must have acted in good faith. The equitable powers of this Court can never be exerted in behalf of one who acted fraudulently, or who by deceit or any unfair means has gained an advantage. To aid a party in such a case

> would make this Court the arbiter of inequity' * * * ."

at page 246, said:

> "Had the corruption of Clutter been disclosed at the trial * * * the Court undoubtedly would have been warranted in holding it sufficient to require dismissal of the cause of action * * *."

In the *Keystone* case, Clutter was corrupted by the giving of a credit of $3,800. In the present case, Smith was corrupted by the contingent payment of at least $10,000.00 and Rowe by the contingent payment of at least $50,000.00. In both cases the parties corrupted agreed to keep secret the prior use and to suppress evidence. Clutter impliedly. Smith and Rowe by the expressed terms of the agreements. In both cases the corrupted parties did not disclose their arrangements with the corruptors to the Courts and the public, until forced to do so. The Smith and Rowe corruption was brought to light in 1946, by the Department of Justice.

The plaintiffs, in both actions, obtained decrees sustaining the validity of their patents. These decrees were procured without the plaintiffs divulging to the court that parties conversant with the prior use had been bought off. In the present case, the plaintiff concealed the evidence of corruption and obtained a decree sustaining the validity of the Hill patent in the *Simplicator* case, and used this decree throughout subsequent litigations as a plea of *res adjudicata*. In the *Keystone* case, it was held, that such acts violated conscience and good faith, and made Clutter an adverse witness for others.

Precision Instrument Case:

In this case, the conduct held reprehensible was less questionable than here. One Thomasama worked for the

plaintiff as a tool designer under the direction of Zimmerman. Thomasma took some of Zimmerman's ideas that he learned in his employment, to outsiders, and with them formed a corporation. An associate applied for a patent based on those stolen ideas. When plaintiff later applied for a patent on Zimmerman's design the Patent Office noted the conflict. Thomasma gave plaintiff a statement about his misconduct and the perjury in his associate's patent application. Then plaintiff and the defendant agreed that defendant would assign its application to plaintiff and plaintiff would permit defendant to fulfill some of their unfilled orders, and waive damages. Plaintiff sued on that contract and the Supreme Court held (p. 816):

> "The far reaching social and economic consequences of a patent give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud and other inequitable conduct * * *."

The Court further said:

> "Yet Automotive, with at least moral and actual certainty, if not absolute proof of the facts concerning the perjury, chose to act in disregard of the public interest. Instead of doing all within its power to reveal and expose the fraud, it procured an outside settlement of the interference proceedings, acquired the Larson application itself, turned it into a patent, and barred the other parties from ever questioning its validity. Such conduct does not conform to minimum ethical standards and does not justify Automotive's present attempt to assert and enforce these perjury-tainted patents and contracts."

We point out that the perjury and fraud were all on the part of the defendant in its original false and per-

jured application for a patent on the same type of wrench. The Court expresses this as follows (p. 817):

> "But Automotive hands are not automatically cleansed by its alleged failure to possess sufficiently trustworthy evidence of perjury to warrant submission of the case to the District Attorney or to the Patent Office during the pendency of the interference proceeding. The important fact is that Automotive had every reason to believe and did believe that Larson's application was fraudulent and his statements perjured. Yet it acted in complete disregard of that belief."

Note: It was a belief, and not actual knowledge. The Court holds Automotive had a duty to bring out these facts in the interference proceedings.

In the above case, the defendant's claim of priority was admittedly untenable. The only fraud was concealment from the Courts of evidence that would have sustained the plaintiff's claims. Here, the fraud was worse (if fraud comes in degrees) for the evidence Dick failed to produce, hurt Dick and militated against the validity of its Hill patent. While in a proceeding concerning only private parties such conduct might be excusable, in any litigation where the validity of a patent and the public interest is in issue, it is not.

Hazel-Atlas v. Empire Company Case:

In *Hazel-Atlas* v. *Hartford Empire Company* (supra), the Hartford-Expire Company applied for a patent. To facilitate approval, certain of its officials and attorneys collaborated on an article describing the device. They persuaded a union official to read it and have it published in a trade publication under his name. No consideration was promised or paid for this, though later he was given

some money. The article was taken as being in every respect true. The Supreme Court decided against Hartford-Empire, saying, "The article, even if true, should have stood or fallen under the only title it could honestly have been given," and before that,

> "Every element of fraud here disclosed demands the exercise of the historic power of equity to set aside fraudulently begotten judgments. Here we find a deliberately planned and carefully executed scheme to defraud not only the patent office but the Circuit Court of Appeals."

What was the fraud? Just that the article, assumed true and assumed to have no influence on the courts, was ghost written.

In *Kingsland* v. *Dorsey*, an attorney who participated in the case above discussed was disbarred for gross misconduct on his part. In the worst view, all that could be said against Dorsey was that he deceived the Patent Office as to the authorship, and represented the article as the work of a "reluctant witness".

In the *Dorsey* case, do we find, as in the present case, the attorney calling relevant contracts irrelevant or taking first the defendant's side, then the plaintiff's, and making affidavits that his former client's claims were baseless? No. All Dorsey did was collaborate in the ghosting of an article that had no influence as to obtaining the patent, and was true in every respect except the name of the author. That was his gross misconduct.

It was the duty of Dick's attorneys to acquaint the court with the provisions of the agreements. To mislead the court and allow untrue and misleading testimony to be given, is, at the very least, reprehensible.

There is great impropriety in a member of the bar permitting a client or witness to suppress material evidence that should be brought to the attention of the court, and

permitting of the giving of misleading and untruthful answers to interrogatories and depositions before trial. This is especially true where the public interest is involved, such as in the proceeding at Bar (M. App. Vol. II, pp. 696-697); *Root Refining Co.* v. *Universal Oil Products Co.*, 169 F. 2d 514; *Kingsland* v. *Dorsey, Supra; Selling* v. *Radford*, 243 U. S. 46; *Harkin* v. *Brundage*, 13 F. 2d, 617-620; *Matter of Flannery*, 150 App. Div. 369, 271 (N. Y.); *Matter of Hardenbrook*, 135 App. Div. 634, Aff'd 199 (N. Y.) 539; *Matter of Schapiro*, 144 App. Div. 1 (N. Y.).

We contend that the standards of good conscience and fair dealing in the procurement and enforcement of patent rights are not the standards of the market place. Litigants and their counsel in such matters, because of the dominant public interest in the patent monopoly, owe a high degree of candor and good faith in their dealings to the end that the public may be assured that the courts, when called upon to enforce or lend equitable aid to the monopoly, will not be the subject of imposition by way of deceit, misrepresentation, suppression or concealment of any matter relevant or pertinent to the determination of the propriety or scope of the monopoly. The natural right of the public to a free and open market compels that the patent right be jealously given and be jealously enforced.

Those who are pursuing and seeking the aid of a Court of Equity to establish a patent monopoly owe the highest duty of candor and good faith to the courts; *Connolly* v. *Gishwiller*, 162 F. (2d) 428, 433; *Keystone Driller Company* v. *General Excavating Company*, and cases cited, supra. They must be frank and fair with the courts. Everything that tends to a full and fair determination of the matters in controversy should be placed before the court.

Where a suit in equity concerns public interest as well as the private contract, the clean hands doctrine assumes greater significance. *Precision Instrument Company* v.

Automotive Maintenance Company, supra; Mas v. *Coca-Cola Company,* 163 F. 2d, 505, 508-509. The possession and assertion of patent rights are issues of great moment to the public. *Hazel-Atlas Company* v. *Hartford-Empire Company, Supra; Mercoid Corporation* v. *Mid-Continent Investment Company,* 320 U. S. 661, 665; *Morton Salt Company* v. *Suppiger Company,* 314 U. S. 488, 492-494; *U. S.* v. *Masonite Corporation,* 316 U. S. 265, 278; *Shawkee Manufacturing Company* v. *Hartford,* 322 U. S. 271. "The fact of concealment may be more significant than the facts concealed". *Federal Communications Commission* v. *W.O.K.O. Incorporated,* 329 U. S. 223, 227. "The inherent power of a Federal Court to investigate whether a judgment was obtained by fraud, is beyond question." *Universal Oil Products Company* v. *Root Refining Company, Supra; Story's Equity Jurisprudence,* 14 Ed. 98; *Pomeroy's Equity Jurisprudence,* 4 Edition, Section 397. It is familiar law that a fraudulent representation may be effected by conduct, by acts as well as by words, by silence where there is a duty to speak, by half-truths calculated to mislead.

> "A man, moreover, who makes a representation is not only answerable for what he in his own mind intended to represent, but he is answerable for what anyone might reasonably suppose to be the meaning of the words he used * * * A representation may be false by reason (not) only of positive misstatements contained in it, but by reason of intentional suppression whereby the information it gives assumes a false color, giving a false impression, and leading necessarily, or almost necessarily, to an erroneous conclusion. There is misrepresentation if a statement be so made that the acuteness and industry of the person to whom it is made is set to sleep, and he is induced to believe the con-

> trary of what is the real state of the case." *Kerr on Fraud and Mistake,* 5th Ed. p. 62 et. seq.

As said in *Seward* v. *Wyoming Cattle Ranche Co.,* 128 U. S. 383, 388:

> "The gist of the action is fraudulently producing a false impression upon the mind of the other party; and if this result is accomplished, it is unimportant whether the means of accomplishing it are words or acts of the defendant, or his concealment or suppression of material facts not equally within the knowledge or reach of the plaintiff." *Moore* v. *Crawford,* 130 U. S. 122, 128.

The record in this case convincingly shows that Dick and its counsel had failed to adhere to the high standards so well established by this Honorable Court, and comported themselves contrariwise. The aid of equity should be denied and where given should be withdrawn.

THE DISTRICT COURT WAS IN ERROR IN REFUSING TO ORDER THE PRODUCTION OF SO CALLED "PRIVILEGED DOCUMENTS.

Those who resort to concealment and suppression may have a legal right to claim that their acts are privileged, just as any person may sue another, without factual basis for the asserted claim. Where legal right and moral responsibility in such cases conflict and where public interest is involved, as here, moral responsibility is paramount. What it comes to is this; Dick may invoke the "privilege rule" as a justification for not disclosing the documents, but, its doing so entitles us to assume that Dick does it because in its own judgment it has done the things charged, and dare not permit the proof contained in those "privileged documents" to come to light. So far as public

opinion is concerned Dick places itself in the awkward position of confessing to participation in improper and illegal actions.

The claim of privilege is based on a relationship of attorney and client. But that is only one of the factors necessary to enable the claimant to avail himself of the privilege. In addition to the attorney-client relation, the communications must be confidential and concern the client's legal affairs. Where the attorney and client communicate with each other before third parties, or where the attorney negotiates with third parties for his client, or where the attorney reports the results of such negotiations to his client, it cannot be said that a communication regarding the client's legal affairs was made in confidence. *Whiting* v. *Barney*, 30 N. Y. 330. "Statements and mental impressions in issue * * * fall outside the scope of the attorney-client privilege and hence are not protected from discovery on that basis * * * nor does this privilege concern the memoranda, briefs, communications and other writings prepared by counsel for his own use in prosecuting his client's case, and it is equally unrelated to writings which reflect an attorney's impressions, conclusions, opinions or legal theories." *Hickman* v. *Taylor*, 329 U. S. 495, 508.

The record shows here, that the attorneys representing Dick, Rowe and Smith met in conferences for the purpose of negotiating agreements, as Dick says, regarding the purchase and sale of Smith's and Rowe's business. The attorneys were, at the very least, acting in dual capacities as attorneys and also negotiators. *Gallagher* v. *Akoff Realty Corp.*, 197 Misc. (N. Y.) 460, 461; *Reiser Co.* v. *Loews*, 194 Misc. (N. Y.) 119. The rule of privilege does not apply to matters other than professional. *Avery* v. *Lee*, 117 App. Div. (N. Y.) 244, 247. And further, reports to the client of the progress of the negotiations are not privileged. *Hickman* v. *Taylor, supra.*

In a proceeding of this character, if not in any proceeding, where the court is investigating the charge that Dick interfered with the orderly procedure of justice, it should be presumed that at least some of the documents were not communications of privileged matter between attorney and client, and did not concern strictly legal matters. Those documents referring to negotiations that ultimately resulted in the agreements, and to other matters outside the purely legal realm are entitled to no greater privilege than is accorded to those outside the legal profession.

The skullduggery practiced by Dick in making these agreements with its later shenanigans in its scheme to gain an unlawful monopoly over the stencil industry by keeping their terms secret, as clearly shown by the record here, does more than lend mere color to the charge that Dick, Smith and Rowe and their attorneys were parties to an unlawful scheme to defraud the public and the courts. The agreements whereby Smith and Rowe were to receive substantial sums of money for recalling their defenses in Dick's infringement suits, entering decrees prepared by Dick, forever remaining loyal to Dick and to not disclose to others (including the courts) any information regarding the agreements or the stencil art or stencil sheets with a coating including a cellulose compound, under penalty of not receiving full payment of the hush money promised, alone are sufficient to establish fraud without the other facts of the admitted concealment and misrepresentation. *Keystone-Driller; Precision Instrument; Hartford-Empire* v. *Shawkee; Kingsland* v. *Dorsey*, cases *supra*.

Our claim is that sufficient evidence of connivance was received to make out a *prima facie* case. That is a question of fact. If this Court so finds, then our contention that privilege falls is not disputed.

The evidence that came to light in the course of the hearings before Judge Medina, while *prima facie* sufficient

to substantiate the charge of obstructing justice, amounts to little more than lifting the curtain. Hidden in the documentary evidence which the Government was precluded from bringing into the open, we believe, lies the rapacious story of intrigue, corruption and interference with the orderly process of justice. This is evidenced by the "Dear Jr." letter from Dick Sr.:

> "And I hope you have a perfect understanding with Cox. That every effort possible should be made to keep those contracts out of the case * * * We do not want to lose our hold on that patent case by some fool Judge in Pittsburgh" (A. C. Ex. 91).

What could more clearly express consciousness of guilt and Dick's scheme to suppress the truth and keep the courts and public in the dark concerning its unlawful machinations to thwart the process of inquiry. "The fact of concealment may be more significant than the facts concealed." *Communications Commission* v. *W.O.K.O. Inc.*, 329 U. S. 223, 227.

In the record now before the Court the evidence of guilt is ample to sweep aside the claim of privilege. "The doom of mere sterility was on trial from the beginning." *Clark* v. *U. S.*, 289 U. S. 1. When the evidence is supplied, as here, the seal of secrecy is broken. *Wigmore on Evidence*, 2 ed., Vol. 5, 2346. Fraud being proved *prima facie*, the veil of secrecy, should have been torn from these so-called "privileged documents." The rule of privilege tending to prevent full disclosure of the truth should be construed strictly. It has been suitably said: "The privilege takes as its postulate a genuine relation, honestly created and honestly maintained." *Clark* v. *U. S., Supra*, Page 14; and at page 15:

> "there is a privilege protecting communications between attorney and client. The privilege takes flight

> if the relation is abused. A client who consults an attorney for advice that will serve him in a commission of a fraud will have no help from the Law. He must let the truth be told."

The Rule of Privilege does not put the seal of secrecy on communications made as an aid to the accomplishment of an unlawful purpose such as the bribing of Smith and Rowe by Dick. "There is no confidence as to the disclosure of iniquity." *Jones, Evidence,* 3 ed. Sec. 733; *Chamberlayne Handbook on Ev.,* Secs. 1160-1164; *Richardson on Evidence,* 3 ed. Paras. 476-477, 488.

Judge Medina was in error in not examining those so-called privileged documents to determine whether the claim of privilege was well taken, and should not have relied solely upon counsel's statements to that effect. No more appropriate words can be found than those used by Judge Shientag, in *People ex rel. Vogelstein* v. *Warden of County Jail,* 150 Misc. 714 (N. Y.), where, at page 715, said:

> "The conclusion reached would seem to be inevitable, if we are to maintain the Honor of the profession, and make an officer of the Court an agency to advance the ends of justice rather than an instrument to subvert them. The dangers of disclosure are shadowy and remote, the evils of concealment are patent and overwhelming. As between the two social policies competing for supremacy, the choice is clear. Disclosure should be made, if we are to maintain confidence in the bar and in the administration of justice."

ON QUESTION NUMBER TEN.

Question Ten:

> **Did the opinion of the District Court constitute the formal findings of fact and conclusions of law as required by Rule 52 (a) of the Civil Rules of Procedure?**

Judge Medina, in his opinion said, "the findings of fact appear in this opinion and no further findings will be made," (Opinion M. App. Vol. I, p. 272).

In 1930 the Supreme Court adopted Equity Rule 70½, 281 U. S. 773, Appendix. This Rule was superseded by Rule 52A, Rules of Civil Procedure.

Equity Rule 70½ Provided:

> "In deciding suits in equity, including those required to be heard before three judges, the court of first instance shall find the facts specially and state separately its conclusions of law thereon * * *."

Rule 52A, R.C.P. Provides:

> "In all actions tried upon the facts without a jury or with an advisory jury the court shall find the facts specially and state separately its conclusions of law there and, direct the entry of the appropriate judgment. * * * "

This Rule has merely carried over the provisions of former Equity Rule 70½.

Judge Medina disregarded these Rules and did not find the facts specially and state separately his conclusions.

The findings where they can be elicited, in his opinion, are incomplete and in some instances erroneous. "To ascertain the facts is not a mechanical art. It is a difficult art, not a science. It involves skill and judgment. "*Judge Frank*, in *U. S.* v. *Forness*, 125 F. 2d 928-943.

Judge Medina overlooked the necessity of having the ultimate facts stated in their legal effects together with such subordinate or circumstantial facts as to enable the correctness of the ultimate facts to be determined by the reviewing tribunal, as required by this court.

In *Interstate Circuit* v. *U. S.*, 304 U. S. 55 (1938) this Court in a *per curiam* opinion said, "The opinion of the court was not a substitute for the required findings. A discussion of portions of the evidence and the court's reasoning in its opinion do not constitute the formal findings by which it is the duty of the court appropriately and specifically to determine all the issues which the case presents * * * ".

Non compliance with Rule 52A, R.C.P., casts an extra burden on counsel and the courts, complicates appellate procedure, increases the appeal record and expenses to litigants.

Cases of Interest:

Railroad Commission v. *Maxey*, 281 U. S. 82 and cases cited;
U. S. v. *Aluminum Co. of America*, 44 F. Supp. 97, 311;
U. S. v. *Aluminum Co. of America*, 2 FRD 224;
Hartford-Empire Co. v. *Shawkee Mfg. Co.*, 147 F. 2d, 532, 535;
U. S. v. *Institution of Carpet Mfg. Co. of America*, 1 FRD 636;

Saginaw Broadcasting Co. v. *Federal Communication Commission*, 96 F. 2d, 554, 559;
Tri-State Broadcasting Co. Inc. v. *Federal Communication Commission*, 96 F. 2d 564, 567, 569;
Boss v. *Hardee*, 93 F. 2d, 234, 236.

Conclusion.

We respectfully contend that it is the duty of this Court to condemn conduct which has and tends to impair or defeat the administration of justice or degrade and impair the usefulness of the judicial process, and to protect the public and litigants from those who prostitute the authority given to them for private gain by imposing on or defrauding the tribunals which are instituted to administer the law, and protect those rights and interests that are committed to the court's care.

We believe that it has been clearly proven by the evidence produced by the Government in the proceedings before the District Court, that Respondent (Dick) and his attorneys came into courts of equity with unclean hands. That by acts of commission, omission and concealment which involved a breach of legal and equitable duty, trust, and confidence, Respondent (Dick), its agents and attorneys intentionally and by design misrepresented material facts, produced false impressions and concealed relevant proof in order to mislead and defraud the courts, to cheat the public, and obtain an undue advantage over Petitioner (Marr), in furtherance of protecting its monopoly.

Respectfully submitted,

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APPENDIX.

The Concealed Agreements.

The Dick-Smith Agreement, Dated July 21, 1927.[1]

By this agreement Dick agreed to pay to Smith, individually, the sum of $100,000.00 as follows:

(a) $90,000.00 to be deposited in a named bank to the credit of Smith's personal account, as per form of deposit agreement attached (Par. 9[b]); (b) $10,000.00 on January 15, 1931,—subject to the contingency that if—"unless at that time the broad claims of the said Hill patent #1,526,982 of Feb. 17, 1925, shall have been held invalid by a court of last resort upon the ground of prior use" • • • and subject to the further contingency that if by January 15, 1931, the question of the validity of the broad claims of said Hill patent upon the grounds of prior use, had not been determined" then said payment of such $10,000.00 shall wait the decision of said court" (Par. 9[c]).

The Smith Company and Smith, Agreed

1. To consent to the entry, "of a final decree sustaining the validity and restraining any infringement of said Hill patent by any of the defendants in such form as the patentee (Dick) may direct • • • and do all things • • • necessary and proper to further the due entry and to secure the observance thereof" (Par. 1).

2. To turn over to Dick all "infringing sheets and material therefore" (Par. 2). "Loyally to cooperate with the patentee, in securing to it the fullest benefit and enjoyment of its rights under said Hill patent and decrees • • • to sign

1. Printed M. App. Vol. I, pp. 121-129 as "Exhibit A".

an announcement in the form attached of their acknowledgment of the validity * * * of said Hill patent * * * and to provide the patentee with a full and complete list of all customers * * * in order that the patentee may send announcement to them" (Par. 3).

3. "To turn over to the patentee all papers and all information in the possession of either of them in any wise relating to stencil sheets for any duplicating machine * * * heretofore made or sold by them or either of them or * * * others" (Par. 4).

4. To admit the validity of the Hill patent * * * and not in any manner to assist others (Par. 5).

By the provisions of the contract, Dick did not acquire the business of the Smith Company nor any of the property, assets or good will of the company, except the "infringing sheets" and material therefore as provided in Par. 2.

Construing the contract in the light of all the collusive surrounding circumstances under which it was entered into, and the events leading up to its execution including the chicanery involved in the disposition of the *Hesco* suits, we cannot escape the inevitable conclusion, that the intention contemplated, was to secure to Dick the concealment and suppression of any evidence in Smith's possession or control, touching on or appertaining to prior use. This inescapable conclusion is further borne out by the terms and provisions of the agreement dated September 12, 1927.

The Dick-Harry E. Smith Agreement Dated September 12, 1927.[2]

This contract, like the contract of July 21, 1927, involves a personal relationship or confidence between Dick

2. Printed M. App. Vol. I as "Exhibit B", pp. 130-132.

and Smith, while indivisible from the contract of July 21, 1927, it is strictly personal between Dick and H. E. Smith. It provides for the manner of depositing and paying over to Smith personally, as an individual the sum of $90,000.00. The contract provides that on or before September 17, 1927, a fund of $90,000.00 cash, be deposited in a bank "to be held by bank in the account of Smith, and to become due and payable to Smith", and to be paid by bank in three installments, as follows: $30,000.00 with interest on January 15, 1928; $30,000.00 with interest, on January 15, 1929; $30,000.00 with interest on January 15, 1930 (Par. 2).

The agreement, like the agreement of July 21, 1927, "inures to the benefit of and is binding upon the heirs, executors, legal representatives and assigns of the parties" * * * (Par. 6).

It is to be noted, that the contract of July 21, 1927 contains a condition that "when all the provisions of this agreement shall become effective as provided in Article 10 to pay the sum of $90,000.00 by check drawn to the order of Merchants Trust Company, of Newark, New Jersey, and delivered with an agreement in the form attached thereto (Par. 9B). This is an agreement by Dick to make the payment to Smith, individually, from a particular fund to be realized or set up in the future. The payment of the $90,000.00 was to become due to Smith upon his performance of part of the July 21, 1927 contract. It was not due until earned. The assumption is, that Smith and the Smith Company (which Smith controlled) did the things agreed to be done, as provided in the contract and more specifically set forth in paragraphs 1-9 thereof. That Dick felt that the conditions precedent had been substantially performed by the Smith Company, and Smith when it entered into the agreement of September 12, 1927, and Dick had arranged for the employment of Seward. But, still having in mind the planned intent and desire to have a court of last resort render a decision on the question of

prior use, Dick by the provisions of paragraph 2 of the agreement of September 12, 1927, provided that the payment of the $90,000.00 be extended over a period exceeding three years.

The Agreements Executed by Dick on August 1, 1927, One With Rowe-Williams Inc. and Joseph W. Rowe, the Other With Rowe Individually, Whereby Dick Agreed to Pay a Sum Aggregating $175,000.00.[3]

THE AGREEMENT BETWEEN DICK-ROWE-WILLIAMS INC., AND JOSEPH W. ROWE DATED AUGUST 1, 1927.

In consideration of the transfer of "subsidiary patents and applications" alleged to be owned or controlled by Rowe-Williams, Inc., Inc., (whereof Rowe was the principal stockholder and president). Dick agreed to pay to Rowe-Williams Inc., the sum of $10,000.00 and to release Rowe-Williams Inc., and Rowe, from all claims and demands for damages and/or profits (Pars. 5 and 6). In consideration "of the premises and in settlement of the litigation now pending", Dick, Rowe-Williams, Inc., and Rowe agreed:

(1) To terminate the litigation by entry of a final decree in such form as Dick may direct. Rowe-Williams Inc., and Rowe to do all things, "necessary and proper to further the due entry and observation of the decree" (Par. 1).

(2) Rowe-Williams Inc., and Rowe severally agreed "that promptly upon the entry of said decree to turn over to Dick all infringing sheets and all materials usable in the production thereof, in possession or control of them or either of them, and also all papers in any wise relating to stencil sheets with coating including a cellulose com-

3. Printed M. App. Vol. I, as "Exhibit E", pp. 135-139.

pound, * * * in the possession of them or either of them" (Par. 2).

(3) Rowe-Williams Inc., and Rowe severally agreed "loyally to COOPERATE WITH Dick * * * and to that end to sign an announcement in such form as Dick may prescribe * * * and provide a full and complete list of all customers" (Par. 3).

(4) Rowe-Williams Inc., and Rowe severally agreed "to admit the full validity" of the Hill patent and specifically agree" never hereafter directly or indirectly to make or sell any stencilizable material of any character for any purpose apprising a base with a coating including any cellulose compound or derivative of cellulose whatsoever, and not in any manner whatsoever to assist any other or others * * * (Par. 4).

(5) The agreement inures to the benefit and is binding upon the legal representative and assigns of the parties.

The general language of this agreement, aside from the recital clauses, is practically identical with the language used with the Smith agreement dated July 21, 1927. All the things that Rowe-Williams Inc., and Rowe severally agreed to do (as set forth in Pars. 1 to 4) are taken practically verbatim from the said Smith agreement (see pars. 1 to 5 Smith Agreement). Like the Smith agreement, dated July 21, 1927, Dick did not obtain title to or possession of, any of the property, assets or good will of Rowe-Williams, Inc. The only tangible property acquired by Dick was an assignment of "subsidiary" applications for letters patent and patents mentioned in the agreement. Like in the Smith agreement Dick accomplished its main objective—the silence of Rowe by his agreeing to conceal his knowledge of the prior use.

Like the Smith agreement, in interpreting the Rowe agreement the situation of the parties and the purpose for

which the contract was made must be considered; the acts of the parties prior to and at the time of the execution and the circumstances surrounding its execution must also be taken into account. In seeking the intent and objective that the parties had in mind, prior to the execution of the agreement, and as expressed by its language, it is apparent that the $10,000.00 was paid by Dick, not for the principal purpose of obtaining an assignment of certain supplementary applications for patent and patents (of doubtful value) but to obtain control of all information in Rowe's possession pertaining to prior use, thereby by anticipatory means or measures, stop or deprive others by its actions, taken in advance of relying upon the defense of prior use or knowledge of Rowe. In other words it was a cleverly worked out plan of suppression.

The Dick-Rowe Agreement Dated August 1, 1927.[4]

This second agreement follows the general pattern adopted by Dick in the three preceding agreements. The same purpose and objectives are set forth, namely, a set methodical scheme devised by Dick and his negotiators to provide the means and methods of obtaining possession and control of Rowe's knowledge or know-how of the prior use in the dry cellulose stencil field. It contains the same provisions against disclosure as found in the Smith agreement. The language expressing the terms of the agreement, not only indicates an intensive desire on the part of Dick to acquire the knowledge possessed by Rowe, concerning prior use, but a keen intentional plan to wrap up that knowledge and hide it from the public and others. It follows the general design or plan so clearly revealed in the former agreements.

This agreement recites that Rowe, "has long been connected with the production of stencilizable sheets of dif-

4. Printed M. App. Vol. I, as "Exhibit F", pp. 140-145.

ferent kinds and acquired valuable information and peculiar skill in connection therewith" * * * and "developed certain ideas and owns certain applications for patents relating to details within the scope of said patent (Hill patent)" of the patentee, "which cannot be used or practiced without the consent of the patentee (Dick) * * *" and Dick desires to secure to itself "the benefit of the information and skill of said Rowe and the inventions" * * *.

Dick and Rowe Agreed:

1.(a) Rowe to execute and deliver any assignment necessary to vest in Dick the two "subordinate" applications for patents referred to in the recital clauses; (b) in consideration of Rowe assigning these two patent applications, stated to be dominated by the Hill patent, Dick agreed to pay Rowe the sum of $30,000.00. *Note*: The time of payment of the $30,000.00 was not fixed, it was dependent upon Rowe performing the conditions precedent to assigning to Dick the two applications for patents controlled by the paramount Hill patent—a neat sum to pay for two subsidiary patents that could not be used except upon Dick's consent. * * *

Following the promise on the part of Dick to pay Rowe $30,000.00 for the two applications for patents of doubtful value, the agreement unfolds into an abortive attempt upon the part of Dick and Rowe to create a false relationship of master and servant (an agreement of employment).

The Agreement Specifically Provides:

The patentee (Dick) "hereby retains and employs and said Rowe agrees to render his services to the patentee (Dick) as technical consultant in connection with production of stencilizable material and particularly cellulose compound coatings" * * * (Par. 2). That Rowe particularly

upon the signing of the agreement shall give to Dick "the fullest information and advice concerning any and all formulas, processes, manipulations and expedients, with any state of production of stencilizable materials, known to Rowe". That it was to be contemplated that "the patentee (Dick) will request all information concerning all past experience and present ideas of said Rowe in connection with cellulose compound coating" immediately upon execution of the agreement (Par. 2a) that Rowe "shall execute all applications, assignments and other papers, necessary and proper for Dick to seek or secure patent protection * * *" (Par. 2b). That "the term of the employment of Rowe, as consultant, shall be ten (10) years from the date of the agreement (Par. 2c).

The agreement goes on to provide "throughout the term of his employment, said Rowe shall give the full benefit of his information and skill to the patentee (Dick) * * *" and shall refrain from rendering such assistance to others. However, it was specifically understood and agreed between Rowe and Dick "that the services of said Rowe shall be called for by the patentee (Dick) only in such manner and to such extent as shall not interfere with any business occupation of said Rowe not connected with stencil sheets and shall not require him to be absent from his home or business without his consent * * *." Then again, appears the warning, "that Rowe agrees not to disclose to any one except the patentee (Dick) any information whatsoever concerning any formula or manufacturer of any stencil sheets with a coating including a cellulose compound" (Par. 2b).

The true intent of the parties must be gleaned from a reading of the whole of paragraph (2) of the agreement. Applying the general rules of interpretation to the whole paragraph, in order to discover its real effect, we find, that the main emphasis, as expressed by the language thereof, is placed upon the conditions, that "Rowe shall give the

patentee (Dick) fullest information and advice concerning any and all formulas etc. * * * particularly upon the execution of this agreement" (Par. 2a) and "Rowe agrees not to disclose to any one except the patentee (Dick) any information whatsoever concerning any formulas or manufacturer of any sheet with a coating including a cellulose compound" (Par. 2d). These are the significant clauses and the ones that Dick intended to place particular stress upon. They convey a clear indication of what Dick was seeking, namely, the knowledge, or the know-how, that Rowe possessed, and a forebearance on the part of Rowe to keep silent. It was the means to the end, that Rowe would be put to rest, otherwise he would not receive the full amount of the $165,000.00 if he broke that silence during the ten year period. By this act of corrupting Rowe, Dick also silenced all opposition from using the prior knowledge or use of Rowe.

The remainder of the language of paragraph 2, is mere camouflage. The intent of the parties, being the "Polar Star" of construction, and the acts of the parties following its execution, put such a construction upon its meaning as to make it conclusive, that it was never seriously contemplated, in the minds of the parties, that a contract of employment ever existed, especially one that Rowe would be called upon to perform. Both Rowe and Dick, by their words and acts have failed to recognize the agreements as to be one of master and servant. During the whole ten-year period Dick never called upon Rowe to perform any service and Rowe admitted that he never performed any service for Dick (M. App. Vol. II, p. 650).

Subdivision (e) paragraph "2" provides for the manner in which the balance of the $165,000.00 was to be paid to Rowe, individually. This paragraph specifically states in clear and unambiguous language that, "the principal value of said services of said Rowe will be received from the disclosure of his present information immediately upon

the execution hereof." Therefore we are compelled to assume that all future services of Rowe, if called upon to perform, would be inconsequential in value, to Dick. In order to leave no doubt in the minds of the parties as to the intention of the agreement, Dick then went on to provide—"to avoid the possibility of dispute, it is expressly agreed that the said total sum shall be paid as hereinafter provided in consideration of the execution of this agreement, to said Rowe or his legal representatives in the event of his death before all the yearly payments of said sum have been made, and shall not be withheld for any cause except the disclosure to others by said Rowe, of information concerning any stencil sheet with a coating including a cellulose compound". Again we have a repetition of the predominating element of all the agreements. It is in the nature of a commandment—thou shall not disclose to others any information concerning any stencil sheet with a coating including a cellulose compound or any knowledge that you possess concerning the prior art—under penalty of forfeiture of not receiving the $165,000.00.

The above cited provisions are clear and unequivocal. They make it plain and evident that Rowe would forfeit these payments if he made a disclosure to others; that the whole agreement was predicated upon the one thought in mind that Dick would not only come into possession of Rowe's knowledge and information upon the execution of the agreement, but that under no circumstances would said knowledge or information leak out to others or the courts. These provisions further point out, that it was never within the true intentions of Dick or Rowe, that Rowe was to render any future services to Dick.

The second paragraph of sub-division (e) of paragraph "2" contains words postponing the yearly instalment payments of the $165,000.00 to Rowe, so as to secure to Dick Rowe's silence and specifically makes the payment of $50,000.00 of the $135,000.00 contingent upon the broad

claims of the Hill patent being held valid by a court of last resort. It is to be noted that these provisions as to the postponement of the contingent payments follows almost *in toto,* the language of the Smith-Dick agreements.

The four agreements analyzed above, all relate to the same subject matter i.e., suppression of prior use or knowledge of prior use, and may for all intents and purposes be construed together. The general purpose of the whole scheme being apparent from the reading thereof. A fair interpretation of the agreements leads but to one final determination, namely, that they were conceived in fraud and entered into with the expressed purpose of having Smith and Rowe discontinue their defenses to the suits that had been instituted against them, consent to the entry of the final decrees, and dispose of knowledge of prior use for substantial cash considerations, deliberately practiced and with a view of gaining an unlawful and unfair advantage, and with the premeditated intentions of concealing and suppressing same, thereby becoming parties and fellow conspirators to a fraudulent scheme by which the rights and interests of the public, and others, would be injured and a fraud perpetrated upon the courts.

There is an outstanding element which cannot be disregarded. Dick as a matter of right, could have obtained by way of court decrees, and without the payment of a money consideration, all the legal things which Dick set up in the aforesaid agreements—if Dick had possessed good and meritorious causes of action. There is, however, one certain reason why Dick did not seek the aid of the courts, but entered into the agreements with Smith and Rowe and agreed to pay each a large sum of money, and that is, that Smith possessed knowledge of his own 1913-1914 prior use, and through Seward there had come into his possession information concerning the prior use of Father Calhoun. That Rowe had obtained knowledge of Smith's prior use and a sample or a piece of one of Smith's early

1913-1914 stencils, but more so, Rowe had personally interviewed Father Calhoun concerning his prior use and had obtained from Father Calhoun a stencil or a piece thereof, of his early work. Dick realizing these facts, concluded that decrees would not grant the full protection it was seeking, as Smith and Rowe would be free to pass on to others their knowledge of prior use. This being of prime importance to Dick in maintaining its monopoly of the stencil industry, it agreed to buy off Smith and Rowe so as to put the seal of silence on their lips, and to assure to Dick that others through Smith and Rowe, would not come into the possession of the true facts concerning their respective knowledge of the prior use. By doing so, Dick forever thereafter corrupted both Smith and Rowe, and made them adverse witnesses for others.

Excerpts From Deposition of Harry E. Smith Taken in Dick v. Arlac Case, December 2, 1929.[5]

By Mr. Brown:

Q163. At the time that you consented to a decree in the suit under the Hill patent No. 1,526,982, in the suit against you, brought by A. B. Dick Company, did you receive a substantial consideration in the settlement?

> Mr. Cox: That is objected to as immaterial and irrelevant, because "Settlement" embraces matters having nothing to do with anything here in issue.

A. Do you wish that answer?

Q164. Please. A. I received a consideration for selling out my business • • •

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5. A. C. Ex. 10, Stipulation 1, between the parties plaintiff and defendant to this action (pp. 70-72; 101-110).
A. C. Ex. 15, Stipulation 2, dealing with the proceedings in 1948 and 1949 in the *Heyer* case.
A. C. Ex. 16, Stipulation 3, *Dick* v. *Marr*.

Q166. What business? A. My active business (pp. 70-71) * * *

Q175. Was any part of the consideration that passed to you in connection with that settlement contingent upon future developments? A. No.

Q176. Of any kind? A. No.

Q177. Has the A. B. Dick Company since the entry of that decree paid you for any services or anything in connection with dry stencils? A. No (p. 72).

> Mr. Cox: I want to note here that this line of examination is objected to as immaterial, having no relation to the validity or infringement of the patent in suit, or anything involved in this case.

* * * * *

Q183. Do you know a Mr. Lash of the A. B. Dick Co.? A. Yes, sir.

Q184. Did you prior to 1918 tell Mr. Lash about your dry stencils? A. Yes.

Q185. Did you tell him it was a cellulose base stencil? A. No.

Q186. Did you tell him it was a stencil that required no moistening? A. Yes.

Q187. Did you show him samples of it? A. Yes.

Q188. Did you show him copies that had been made from such stencils? A. Yes, I believe we did at that time.

Q189. Did you also prior to 1918 have a talk with Mr. A. B. Dick of the plaintiff company and at that time tell him about your dry stencil? A. Yes.

Q190. Did you show him samples of it? A. Yes.

Q191. Did you tell him it was a dry stencil? A. Yes.

Q192. Did you show him copies that had been made from such stencils? A. I did.

Q193. Did you offer to sell him your formula? A. No.

Q194. Did he offer to buy it? A. At that time he did, yes.

Q195. About what time was that? A. I imagine that was 1914. It must have been (pp. 73-74).

* * * * *

Q208. What basis was there for your entering into a personal contract with the A. B. Dick Co.

Mr. Cox: That is objected to as wholly incompetent and immaterial and relating to matters which concern only the parties to the contract and not the defendants or anything in this case (p. 76).

* * * * *

Q334. Do you have a copy of the settlement agreement between yourself and your company and the A. B. Dick Company at the time of the Consent Decree of 1926? (1927).

Mr. Cox: That is objected to as entirely immaterial, and relating to matters that do not concern the defendant or this case.

Mr. Brown: I was asking if he had copies.

A. I believe I have a copy.

Q335. Are you willing to produce it?

Mr. Cox: Same objection.

Mr. Brown: I have not asked him. I have asked him if he is willing to produce it.

A. No, I do not see why I should. It is my personal business.

Q336. Aside from whether you see any reason to do it, are you willing to produce it, if requested? A. No, I

am not willing to, because it really concerns matters which are really very personal, and I do not see why they should become public knowledge (p. 101).

• • • • •

Q385. Mr. Smith, is it not a fact that directly or indirectly you are receiving compensation from the A. B. Dick Company for something? A. Absolutely no.

Q386. Is it a fact that you have received no compensation of any kind, either directly or indirectly since 1926 from that company? A. Absolutely no.

Q387. Or from anybody connected with it? A. Nobody, only the $5 from your outfit to come over, and that is dam little for spending all day (p. 110).

Excerpts From Depositions of Harry E. Smith Taken in Dick v. Arlac Case, January 6, 1930.[6]

RDQ480. Is it or is it not a fact that prior to July 10, 1914, the A. B. Dick Company had desired to purchase the formula and process of making your dry stencil?

Mr. Cox: Same objection.

A. There was some negotiations at that time with regard to the stencil (p. 135).

• • • • •

RDQ601. Mr. Smith, at the previous session of your testimony, you were asked if you would allow us to examine a copy of the contract entered into between you and/or the H. E. Smith Company, at/or about the time of the entry of the consent decree in 1927? Do you still refuse to show us a copy of that contract? A. I believe

6. A. C. Ex. 10, Stipulation 1, p. 135.

those papers are more or less personal and I would rather not offer them.

RDQ602. Did not that contract set out the terms of settlement between yourself and your company and the A. B. Dick Company with reference to the dry stencil business?

> Mr. Cox: That is objected to. As already stated, including in addition the fact that it is mere repetition and the witness is told that since it involves other parties in addition to himself, he should consider his right to withhold what is his private business and need not answer unless he so desires.
>
> Mr. Brown: Of course, we have no power to make Mr. Smith produce the contract and the question was directed to his desire.
>
> The Witness: I do not care to give any of that information (p. 159).

Excerpts From Testimony of Harry E. Smith, Called as a Witness on Behalf of the Amicus Curiae in the Present Proceeding.[7]

Q. Now limit yourself to the $10,000 item which you wouldn't get until January 15, 1931. Assuming that that is the only amount of money that is affected by the contingencies of paragraph 9(c) what did you understand to be the contingency, at least initially, under which you would or would not get that $10,000.00, on January 15th, 1931? A. If the Hill patent was validated.

* * * * *

Q. What do the words mean "upon the ground of a prior use"? A. Where do you see that, Mr. Hackley?

7. The page references are to Appendix to Defendant-Appellant's Brief, Vol. II, on appeal to the United States Court of Appeals, Second Circuit.

Q. In paragraph 9(c). A. 9(c)?

Q. Speak up a little bit, if you will, Mr. Smith. A. All right. I am a little tired. Well, Mr. Seward approved the contract. I went over it and of course I see that there now but I don't remember the contract. I don't remember what I thought at that time. It was approved by him.

Q. As that reads, if the Hill patent were held invalid upon any ground except prior use you would get your $10,000 wouldn't you? A. Well, I didn't think that.

Q. Speak up a little. A. I say I didn't think that when I understood the terms of it at that time.

Q. Now you were, according to your answer and amended answer, and your notices to the trade which we went into today, an alleged prior user, isn't that correct? A. Yes.

Q. That is what you were contending pretty strongly up to the time you settled? A. Yes.

Q. If a court had held that the Hill patent was invalid on your 1913-1914 work, you would not have got the $10,000, would you? A. I understood that, yes.

Q. You knew that when you signed the contract? A. I did.

Q. And you knew that at all times afterward? A. Only I thought it was for any reason it was invalid.

Q. But you knew if your prior use was sustained you wouldn't get your $10,000.00? A. I didn't want that but they insisted on it.

Q. The A. B. Dick Company insisted? A. Yes, they insisted on it (M. App. Vol. II, pp. 421-423).

* * * * *

Q. Do you recall, Mr. Smith, that you testified in two depositions in the Arlac case—the case of Dick v. Arlac? A. I remember the testimony, some of it.

Q. Do you recall approximately when you gave that testimony as to time? A. Well, I have had my memory refreshed on it. I think it was in 1930.

Q. The record indicates you have two depositions, gave two depositions, one December 2, 1929 and the other January 6, 1930. A. Yes.

• • • • •

Q. Do you recall that you were questioned during the Arlac case by Mr. Brown, attorney for the Arclac Company? A. I do I remember it.

Q. About whether or not you had any money coming to you, or something like that? A. Yes, I remember the questions.

Q. You have read them over very recently, haven't you? A. I have yes.

Q. But you did have $10,000. coming? A. On the contract, yes.

Q. Under the contract. A. That is right.

Q. Conditioned on the court accepting your testimony that you had not made a prior public use or prior invention to the Hill patent? A. Yes. That was put in the contract by the Dick Company and they insisted on it being in there, and it was approved by Mr. Seward and I let it go.

Q. The answer to my question was yes, wasn't it? A. Yes.

• • • • •

Q. Mr. Smith, you understood when you were testifying in the Arlac case that the primary thing that the defendant Arlac, through its attorney Brown, was trying to get at, was the full story of what you had done with reference to the development of a dry stencil, cellulose dry stencil, in or about the period 1913-1914; isn't that correct? A. Yes, I understood that.

Q. And you knew that prior use or prior sale or prior knowledge of an invention would anticipate a patent, didn't you? A. Yes.

Q. You knew perfectly well that is what Mr. Brown was driving at and hitting at all through that deposition? A. Yes.

Q. And through the second deposition, when you testified in January 1930? A. Yes.

Q. And you also knew that if your testimony were construed by a court, the court deciding the Arlac case, or any other case where that testimony might be used, to spell out prior use, prior sale or prior knowledge on your part, it might invalidate the Hill patent? A. Yes, I understood that.

Q. And you knew that at the time——

> The Court: And cost you $10,000?
>
> The Witness: Yes, it would your Honor. Yes, that is true.
>
> The Court: All right (M. App. Vol. II, pp. 437-440).

* * * * *

Q. Mr. Smith, why didn't you tell Mr. Brown that you had a $10,000 stake in that case? A. I can explain that, if I am permitted to, very easily.

Q. Yes; I would like to know. A. Well, I can tell it very frankly just exactly how I reacted to that. They had tried to get—asked me for a copy of the contract, and on that I refused to give them a copy of the contract, * * * And when Mr. Seward approved the contract for me, he said it simply means, Mr. Smith you will get that $10,000 if the Dick Company is successful, they don't want to pay it to you unless they are successful. And I had no other alternative, and I saw no reason to quibble any further about it, and I closed the contract on Mr. Seward's advice,

and I promptly for years forgot about that contract. In fact, I had not seen it for a couple of years when I—when the testimony was being taken, and I was being questioned by Mr Brown. I knew I had a $10,000 payment. The terms I did not have in mind at that time. I figured that was a closed contract, only the last part of it I was going to get that $10,000 some time if they were successful and that is what Mr. Seward explained. I resented that very much. I did not want it in the contract, but he said they want it there, it is just that they don't want to pay you a full $100,000, they are willing to pay $90,000 but they want to win the suit • • •

Q. Now, Mr. Smith, you were asked by Mr. Brown the question—you have read over your testimony you said recently? A. Yes.

Q. I will show you these minutes if you want to see them, but you were asked this question, page 72 of stipulation 1, question 175:

> "Was any part of the consideration that passed to you in connection with that settlement contingent upon future developments?"

Now first of all, what did the word "settlement" mean to you in that question? A. The contract.

Q. Contract of July 27, 1927?

> The Court: 21st.
> Mr. Hackley: July 21, 1927 Mr. Smith?

A. Yes.

• • • • •

Q. Now, what did the word "consideration" mean to you in that question? A. "Consideration" was the whole $100,000. The $100,00 for closing out my business.

Q. Well, the question is: "Was any part of the consideration". Now, does the word "consideration" mean money to you or what? A. Yes, surely.

Q. That is what it meant to you? A. Yes, that is all I got.

Q. So if the question read, "Was any part of the money that passed to you in connection with that settlement" you would have so understood it to mean money, is that right? A. Yes.

Q. "Contingent upon future developments". Now, what is the word "contingent" mean to you, Mr. Smith? Dependent on? A. Well, I would think it meant some developments that occurred that I might have something to do with. I can't say anything other than that, that I understood it any other way.

Q. My question was addressed to the word "contingent". What is the word "contingent" mean to you? A. It means a condition—contingent condition could be prior art or anything like that divulged.

Q. Prior use or anything like that? A. Prior use, I would think so.

Q. Your own work as prior use would be contingency, wouldn't it? A. Yes, surely, yes.

Q. And what did the words "future developments" mean to you in that question? A. Why "future developments" meant the litigation was going on, I presume.

Q. That is what it meant to you in any event? A. I would think so at that time, yes.

Q. You would say that was what it did mean to you, Mr. Smith? A. Yes.

Q. Your answer to that was no, and you had $10,000? A. Yes.

Q. Contingently due to you? A. Yes.

Q. Part of the consideration in the settlement? A. Yes.

Q. Dependent on the future developments of whether or not the Hill patent was sustained, didn't you? A. Yes, I understood that.

Q. So that answer wasn't true, was it, Mr. Smith? A. Perhaps it wasn't there but it wasn't so intended, positively (pp. 440-444).

* * * * *

Q. As a matter of fact, Mr. Brown did not even know there was a contract until after those questions? A. That is true.

Q. You did not tell him that in your answers? A. Didn't I say we had a contract?

Q. You did not qualify those answers "No" in any way. A. No, I didn't I perhaps should have, but I didn't. I had in mind that I was getting nothing more out of it than the fact of the contract.

Q. You remember on a number of occasions during the taking of those two depositions Mr. Brown, after he learned that there was a contract between you and Dick from your testimony, asked you to produce a copy of that contract. Do you recall that? A. You mean at the close——

Q. You remember he asked you a number of times? A. He asked me would I produce a copy.

Q. And you refused. A. Yes; I said I thought it was a personal transaction and I would rather not.

Q. You thought it was a personal transaction. Is that your statement? A. Yes, I believe it was.

Q. What did you mean when you say that the contract related to personal transactions? What particular parts of the contract did you have in mind? A. I didn't know. I presumed at that time I wasn't obliged to furnish a copy of the contract and I said, "No," naturally.

Q. That wasn't my question. My question is: What parts of the contract of July 21, 1927, between the Dick

Company and yourself and your company, did you consider to be personal and did you have in mind when you gave that answer to Mr. Brown in refusing to produce the contract? A. Why, the amount of money involved in the transaction. I thought it was a personal matter that I shouldn't disclose unless I was compelled to. When I was asked and compelled to furnish this contract, I did it without any reluctance, without any thought that there was anything wrong.

Q. You turned it right over to Mr. Brown when he asked for it? A. No, I didn't.

Q. You refused, didn't you? A. I refused.

Q. Did you ever turn it over to any litigant in any action brought by the A. B. Dick Company on the Hill patent? A. No (M. App. Vol. II, pp. 445-446).

* * * * *

Q. Mr. Smith, I am interested at the moment in getting you to tell the Court what provisions of that contract you considered to be private matters when you refused to produce it to Mr. Brown, because you said it related to private matters? A. Spontaneously I would say the conditions of the payment and the amount of money. I thought it wasn't necessary to make it public knowledge. That is my reaction to it now. I had nothing else in mind.

Q. In other words, the thing that hit your mind immediately was the provisions of paragraph 9 for the payment of $90,000 and $10,000? A. Yes, surely (M. App. Vol. II, pp. 447-448).

* * * * *

Q. Because you didn't want the facts about the money payments to get out? A. I didn't want to get involved.

Q. You stated, I believe, that you had a telephone conversation with Mr. Cox before you testified in the Arlac case. A. I called him up when I got the subpoena.

Q. As soon as you got the subpoena, you called him up? A. I had to call somebody.

Q. Why didn't you call Mr. Seward? A. Because Mr. Seward had been retained by the A. B. Dick Company and I had nothing more to do with Mr. Seward.

* * * * *

Q. You didn't employ independent, impartial counsel as you have done for the proceeding here today? A. No.

* * * * *

Q. Mr. Smith, with reference to the matter of advice given to you about whether or not you should reveal the contract, I want to show you the record of your testimony before the grand jury in the anti-trust proceeding in 1945.

* * * * *

The Court: Did you tell the grand jury that Mr. Cox told you to keep that contract away and not show it?

The Witness: It seems to be indicated both ways there as I read it. Isn't that true? (M. App. Vol. II, p. 450).

* * * * *

The Court: (After reading) Well, Mr. Smith, it says here:

"Q. Wasn't that evidence that should have been given to the court? A. I guess Mr. Seward told me I did not have to show that contract."

The Witness: I thought it was Mr. Seward. I don't remember anybody now doing it. It was just a supposition there, I presume, because I don't——

The Court: How do you mean, just a supposition? You mean you felt you were in a hole and wanted to pin it on Mr. Seward?

The Witness: I suppose I should have said I don't remember but I tried to answer the question to the best of my memory. I seemed to remember that there. Must have been some hazy recollection there. But now I don't remember Mr. Seward—— (M. App. Vol. II, p. 451).

* * * * *

The Court: What did Mr. Cox have to do with that refusal?

The Witness: I don't remember any discussion of that at that time.

Mr. Horsky: The record shows that Mr. Cox objected. Do you have it? (M. App. Vol. II, p. 452).

* * * * *

The Court: Yes, I want to be fair about this thing and it does look as though he testified before the grand jury that either Mr. Seward or maybe Mr. Cox gave him some directions about it. Now I may have misread this answer, when it said "Was it Mr. Seward or someone else?" And the answer was, "It might have been in the case. It might have been Mr. Cox. The question came up" (M. App. Vol. II, p. 452).

* * * * *

"Q. Was a written contract entered into between you and your company and the A. B. Dick Company at the time of the entry of the 1926 consent decree?"

That is that date that was later corrected to 1927.

The Court: Yes.

Mr. Hackley: "Mr. Cox: That is objected to as immaterial and irrelevant, and calling for matters which do not concern the defendant or this case."

• • • • •

"A. Do you want it answered?

"Q. Please. A. Yes, but I believe it was more particularly with myself. I do not remember whether the company entered into it or not, particularly. I cannot recall without checking back on it.

"Q. That is, you personally entered into a contract with the A. B. Dick Company? A. It may have been both the company and myself. It probably was.

"Q. What basis was there for your entering into a personal contract with the A. B. Dick Company?

"Mr. Cox: That is objected to as wholly incompetent and immaterial and relating to matters which concern only the parties to the contract and not the defendants or anything in this case" (M. App. Vol. II, p. 453).

• • • • •

Mr. Hackley: The contract question comes up again at page 101:

"Q. Do you have a copy of the settlement agreement between yourself and your company and the A. B. Dick Company at the time of the consent decree of 1926?

"Mr. Cox: That is objected to as entirely immaterial, and relating to matters that do not concen the defendants or this case.

"Mr. Brown: I was asking if he had copies.

"A. I believe I have a copy.

"Q. Are you willing to produce it?

"Mr. Cox: Same objection.

"Mr. Brown: I have not asked him. I have asked him if he is willing to produce it.

"A. I do not see why I should. It is my personal business.

"Q. Aside from whether you see any reason to do it, are you willing to do it if requested? A. No, I am not willing to because it really concerns matters which are really very personal, and I do not see why they should become public knowledge" (M. App. Vol. II, p. 454).

• • • • •

Q. If I understand you, an agent of the Department of Justice came to see you? A. Yes (M. App. Vol. II, p. 459).

Q. If I told you the records of the Department of Justice show that you gave a copy of the contract to the Department of Justice on November 25, 1932, would that seem to be correct? A. That would seem to be correct (M. App. Vol. II, p. 460).

• • • • •

Q. As a matter of fact, Mr. Smith, weren't you interviewed by the Department of Justice on a number of occasions with regard to that contract prior to November, 1932? A. No, I don't remember any other incident but that. I furnished it and another call was paid to me during the Second World War (M. App. Vol. II, pp. 460-461).

• • • • •

Q. Don't you remember Mr. Smith receiving from Mr. Seward information that an agent of the Department of

Justice had been interviewing him about your relations with the Dick Company and in substance just what is stated in this letter of March 7, 1928? A. I don't remember. Mr. Seward's communications were so long ago I couldn't remember any (M. App. Vol. II, pp. 463).

Q. Do you remember hearing from Mr. Longfield that a representative from the Department of Justice had been trying to locate you at your plant in March 1928? A. I remember him writing me a letter and I think it was to Florida, and he said somebody wanted some information.

Q. Just somebody, or was it a representative of the Department of Justice? A. Well, I don't remember that. I don't remember that (M. App. Vol. II, p. 464).

* * * * *

Q. Mr. Smith, do you remember you were interviewed by an agent of the Department of Justice or the Federal Bureau of Investigation on your return from your trip to Florida in or about March 1928? A. Somebody came to my house. I don't remember whether they represented themselves as the Department of Justice or not, but I have no recollection of any conference.

Q. You don't remember that you were interviewed at length about the settlement with the Dick Company and asked for a copy of any papers or documents in that connection? A. I don't remember.

Q. You don't remember that you refused to give them? A. I do not.

Q. To the Department of Justice? A. Because when I was asked I was not reluctant at all to give them up.

Q. Because in 1928 you still had a $10,000 contingency coming, didn't you, from the Dick Company? A. Yes.

Q. In 1932 you did not have that problem, did you? You had already got that? A. Yes, that is true.

Q. I show you a letter which I will ask to have marked Amicus Exhibit 140 for identification.

(Letter from H. E. Smith to Seward, marked A. C. Exhibit 140 for identification.)

Q. (Continuing) Which is in longhand, and I ask if you can identify that letter. The letter which I have shown the witness is dated March 12, 1928. A. Yes, I have some recollection when I see it there in my own handwriting. I was asking for advice, but I had forgotten the incident entirely. What is the date of that?

Q. March 12, 1928. A. I had forgotten I wrote the letter. I have written millions of letters. I did not remember that.

The Court: Not millions. Don't exaggerate, Mr. Smith (M. App. Vol. II, p. 465).

* * * * *

Q. Well, did you write numerous letters asking Mr. Seward for advice about how to answer the Department of Justice when they catch up with you? I was there. It wasn't that. I was in Florida, they were not down in Florida asking me, and evidently Mr. Longfield wrote me and told me of the incident, and I wanted some advice. I had only one lawyer to whom I could address a letter I did not know why they were seeking me at that time.

Q. Why did you need advice in order to know how to talk to the Department of Justice? A. Well, I had been mistaken, I made many mistakes by not consulting a lawyer, and even where I did, why I seem to be wrong, too. I don't know what to do.

Q. You didn't need advice, did you, from a lawyer, as to how to tell the truth, did you, Mr. Smith? A. No, and I have tried to tell the truth.

Q. You had written Mr. Seward here and asked him for advice as to how to handle this matter in the event of an interview with the Department of Justice on your return? A. Yes; I would do that again, Mr. Hackley.

The Court: Where does it say "How to handle this situation"?

Mr. Hackley: At the top of page 2, "handle this matter" the words are, your Honor.

(A. C. Exhibit 140 for identification received in evidence.) (M. App. Vol. II, p. 466.)

• • • • •

Q. Your recollection was refreshed when you saw the letter in your own handwriting? A. Yes, they probably did call at my own office and I was in Palm Beach. I presume they told him where I was. I wasn't running away. I was still in the United States (M. App. Vol. II, p. 467).

• • • • •

Q. No, I want to know if you have any recollection of a reply. A. I haven't any recollection of a reply or that other letter until I saw it (M. App. Vol. II, p. 467).

• • • • •

Q. Will you look at the letter, Amicus Exhibit 141 for identification, Mr. Smith, and state whether or not that letter refreshes your recollection of the fact that Mr. Seward gave you advice as to how you should handle the matter with the Department of Justice (handing).

The Court: What is that, March 16th?

Mr. Hackley: March 15th, your Honor.

A. Well, it's news to me. I have no recollection of it. It is like reading it for the first time. It is general business news and that incident, but I don't remember it at all.

By the Court:

Q. You have in your own letter there about how Mr. Longfield had advised you that this representative of the Department of Justice said that Dick would lose the patent suit. That is right in your own handwriting. Do you remember that? A. I don't remember it, your Honor, no, I don't remember the letter.

Q. If they were going to lose that patent suit, that would be bad for you? A. Well, I would get less.

Q. You would get $10,000 less? A. That is right (M. App. Vol. II, p. 468).

* * * * *

Q. Mr. Smith, I think when we adjourned I had asked you if you recalled that you testified before the grand jury in 1945 in connection with the transaction to which we have just reference, Exhibits 139, 140 and 141? A. Yes.

Q. Do you recall that? A. Yes, I remember something about it.

Q. I show you the grand jury record of your testimony, pages 485, starting with the last question on that page, and continuing over to the bottom of page 490, the last answer on that page, and ask you to read that testimony and state whether or not it refreshes your recollection on the 1928 transaction.

The Court: That is to say whether he wrote to Seward for advice as to what to say to the Department of Justice man and whether he got the advice.

* * * * *

The Court: I will put a question to you myself: After you read over that testimony that you gave to the grand jury, can you tell us now something

about communications between you and Mr. Seward asking him to tell you what to say to that Department of Justice man, and what he told you to tell him.

The Witness: Well, I only remember it insofar as your Honor, as I see those letters. That is all. And I remember that testimony there in the grand jury in Cleveland.

By the Court:

Q. Well, does that grand jury testimony, now that you have read it, refresh your recollection so that you can tell us any more than you have already told us, which is nothing? A. No, not insofar as any additional FBI investigation or anything like that. I only remember what I stated before.

Q. You see what you told us before was this: You say I see my letter, I recognize my handwriting, but I don't remember anything about. Do you remember that? A. Yes (M. App. Vol. II, p. 470).

Q. It seems mighty strange to me that you should write this letter, which shows very clearly that you knew that there was the Department of Justice man trying to get some information, you knew that you had this stake in the outcome of that suit and were naturally interested in it, and you write and ask Mr. Seward for advice and he writes back and he gave you the advice, but what I can't is why you don't remember anything about it? A. Well, I don't remember anything about it. That letter comes to my mind, the one from Mr. Longfield, but I don't remember Mr. Seward's letter, his answer (M. App. Vol. II, pp. 470-471).

• • • • •

Q. Mr. Smith, do you remember your conference with Mr. Lash in 1914 before meeting Mr. Dick? A. Yes, quite clearly.

Q. Did you say in substance to Mr. Lash that your dry stencil would last a substantial period of time, and point out that the one that you pulled out of your drawer was several months old that was good? A. Yes, I did.

Q. You represented to him at that time that this dry stencil would last for a commercial period, did you not? A. Yes.

Q. Was the statement you made to Mr. Lash true or untrue? A. That was true relatively if the proper way of storing it was available. That was a matter of development. The stencil was good (M. App. Vol. II, pp. 482-483).

* * * * *

Q. As of the date of July 7, 1914, the date of Exhibit 176, and perhaps before that, you were trying to sell dry stencils with your cellulose base? A. We were sending samples out, trying to create interest and sell them, yes (M. App. Vol. II, pp. 483).

* * * * *

Q. Was it a quire or more than a quire you sent to Mr. Dick? A. It is my recollection that I gave him a quire of paper, but I am not certain. I have nothing in the record to prove it (M. App. Vol. II, p. 484).

Q. I have asked you, Mr. Smith, generally, about whether or not you received any advise from counsel, either Mr. Cox or Mr. Seward, between the time you were subpoenaed in the Arlac case to testify as a witness for Arlac and the time you testified in that case, with regard to what you ought to do if you were asked about your contract with the Dick Company, A. C. Exhibit I in this proceeding. I would like to ask if, after thinking the matters over, as you may have done in the last day or two, you can now tell me whether or not you recall having

been advised by either of those men on that subject? A. I do not. I don't remember anything about it.

Q. I will now show you three parts of your testimony before the grand jury in the antitrust proceedings in 1945, and ask if they refresh your recollection.

• • • • •

Q. I show you first, Mr. Smith, the first question and answer thereto on page 473 of the grand jury record of your testimony, and ask if that refreshes your recollection that you received advice on that subject from Mr. Seward? A. Where do you want me to begin?

• • • • •

The Court: On page 473 the following questions were put to the witness Smith, and he made the following answers:

Q. And, Mr. Smith, also some time in another case, I want to ask you if you said, 'I believe I have a copy of the settlement agreement between myself and A. B. Dick Company, but I do not see why I should produce it. It is my personal business and I am not willing to produce it, if it is requested, because it really concerns matters which are really very personal and I do not see why they should become public knowledge'. A. Well, that was apparently Mr. Seward's advice. He was at the time my counsel" (M. App. Vol. II, pp. 487-488).

• • • • •

And on page 476 there were the following questions and answers put to the witness Smith before the grand jury:

"Q. When you were asked to give them the contract. A. Yes.

"Q. Wasn't that evidence that should have been given to the Court? A. I guess Mr. Seward told me I did not have to show that contract.

"Q. Did Mr. Seward tell you? A. Yes, Mr. Seward.

"Q. Seward must have told you? A. I did do it of my own volition.

"Q. Was it Mr. Seward or someone else? A. It might have been in the case. It might have been Mr. Cox. The question came up.

"Q. It might have been Mr. Cox? A. Yes, sir."

Direct Examination Continued by Mr. Hackley:

Q. Mr. Smith will you read now the portion of the grand jury minutes page 477, starting with the first question and continuing through the answers following the fourth question on that page?

• • • • •

Q. (Continuing) The answer following the fourth question; and also read the question and answer at the top of page 491 of the same record, and state whether or not that additional material, in addition to what you read this morning from your grand jury testimony, helps to refresh or refreshes your recollection that you received advice of counsel with regard to how you should handle the matter of your contract in the testimony in the Arlac case, counsel in that case being either Mr. Cox or Mr. Seward. If you would like to read the material which you were shown this morning, I have no objection. Do you want to see the portion you saw this morning, and which immediately precedes that?

• • • • •

The Witness: Yes. He is trying to find out was I advised what to do about the contract.

The Court: That is right. So read what you said there and then tell us if that refreshes your recollection so you can tell us any more about it (M. App. Vol. II, p. 409).

• • • • •

The Witness: It gives me, your Honor, the opinion that probably at that time I was trying to say that the information I had about giving or not giving up the contract, the only thing that I remembered was in the Arlac case where Mr. Cox objected to it. That is all I remember, and I don't remember any other conferences about it.

The Court: Well, you may read that part on page 477 in the record if you desire, Mr. Hackley.

Mr. Hackley: This immediately follows the portion which was read into the record by the Court this morning.

The Court: Yes.

Mr. Hackley: (Reading):

"Q. You went to Mr. Cox, the company attorney? A. No.

"Q. What is that? A. But whether he came to me and took my testimony once, that is the thing.

"Q. Mr. Cox told you you did not have to tell the Court about this $10,000? A. No. I don't remember it exactly like that.

"Q. And told you you did not have to tell the Court about this contract because it was of a personal nature? A. Yes. If I refused to show that contract it was on the basis of counsel's advice. I don't know which counsel it was at the time" (M. App. Vol. II, p. 490).

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Mr. Hackley: I will read what the witness said, starting at page 490:

"Q. So when he started the investigation in 1928 it was not until 1932 when you had the contract? A. It seems that way.

"Q. So you were willing, able and in a hurry to turn it over to the FBI? A. I was not purposely withholding it outside of the thing only as I say probably on advice of counsel, that's all" (M. App. Vol. II, pp. 491-492).

"Q. I read to you from Exhibit No. 141, which is a letter dated Palm Beach, March 12, 1928: 'Mr. Longfield advises us that the Department of Justice representative has called at the office to see me and insists upon seeing me when I return. If there is any special way for me to handle this matter in the event of an interview on my return, please advise. A. Did I refuse it? (M. App. Vol. II, p. 495).

"Q. Did you write that letter in 1928? Is that your handwriting? A. That is my handwriting.

"Q. I will ask you whether or not in 1928 you were discussing with Mr. Seward what you should tell the Department of Justice? A. I do not remember of discussing that question.

"Q. You asked, didn't you, if there was any particular way to handle this, in the event of an interview. Did he advise you? A. I do not remember.

"Q. Do you want to read it? A. Yes, I would like to see my letter.

"Q. It is your letter I am reading from. A. Yes.

"Q. So you were asking for advice, weren't you? A. I guess I naturally would, yes.

Q. You naturally would? A. Yes.

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"Q. Do you remember receiving a copy of the letter when you were in Florida, or the original of that letter? A. I must have received it.

"Q. And Mr. Seward says he sent it? A. I imagine so.

"Q. Can you tell me and tell this jury why Mr. Seward had to tell you what you should tell the Department of Justice men? A. Why he had to tell me?

"Q. Yes. A. Well, why he had to tell me; the only counsel I had to go to was Mr. Seward.

"Q. It isn't a question of your having counsel. This is a letter in which Mr. Seward is telling you. A. Yes.

"Q. What he told the Department of Justice? A. Yes, sir.

"Q. That he had theretofore told you, isn't that right, that is what was in there? A. What?

"Q. Why did Mr. Seward have to tell you what he had already told you? A. I do not know. I do not know why he did it at all.

"Q. You do not? A. No.

"Q. Well was it because he wanted to make sure you told the Department of Justice the same thing that he told the Department of Justice? A. I do not know.

"Q. Well, Mr. Smith, would you say, if you saw a letter like this, in which a lawyer tells his client what he should do, that the only reason he did it is to make sure that the client does not tell another story? A. You would think so, yes.

"Q. So there could have been something to conceal here, if you wanted to make good on the story between you and Mr. Seward, and after he wrote that letter you then said to him, 'What do you advise me to tell the Department of Justice man?' Isn't that correct? A. I do not know about that part of it.

"Q. You do not know? A. I do not know what I can say. I can say I asked this. Why I asked him that, I do not recall.

"Q. For what reason did you want to have advice, Mr. Smith, about what to tell the Department of Justice of the United States? A. Only that I had that contract and that I forgot about it" (M. App. Vol. II, pp. 497-498).

"Q. These letters that were discussed with you by the Department of Justice investigator, he was in your office in '38, wasn't he? A. 1928.

"Q. Longfield was the name of the man who was in your office, because this letter starts out, 'Mr. Longfield advises us a Department of Justice man was in the office', isn't that right? A. Yes, he was.

"Q. And that is dated 1928; is that right? A. Yes.

"Q. You did not get the contract until 1932, is that right, Mr. Smith? A. 1932.

"Q. So when he started the investigation in 1928, it wasn't until 1932 when you had the contract? A. It seems that way" (M. App. Vol. II, p. 499).

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Excerpts From Testimony of E. Clarkson Seward, Called as a Witness in Behalf of Amicus Curiae in the Present Proceeding.

Q. From whom did you get those memoranda for the purpose of refreshing your recollection? A. I borrowed them on a visit to Mr. Byerly's office. I borrowed them from either Mr. Watson or Mr. Horsky, I don't remember which (M. App. Vol. II, p. 510).

• • • • •

Q. Over what period of time have those meetings occurred, Mr. Seward? A. My first meeting was with Mr. Byerly shortly after the Supreme Court decision in this case, the Marr case, when he called my attention to the

remand. It was a very short visit and I asked him at that time if he would provide me with a copy of this Dick-Smith agreement, if I may call it that, and the affidavit to which I have referred (M. App. Vol. II, p. 510).

Q. Why did you want those at that time, Mr. Seward? A. I assumed from the nature of the Supreme Court's remand that there would be an investigation of this matter and I had been handicapped in the previous testimony before the grand jury in not having papers with which to refresh my recollection before I testified, and I so I started with those two papers.

Q. You assumed therefore that you undoubtedly would be called as a witness in this proceeding? A. I assumed it was very likely that I would be.

Q. You spoke of the grand jury. Are you referring to the grand jury investigation which led to the indictment of the A. B. Dick Company in Cleveland about 1945? A. I believe that was it. There was a grand jury investigation in Cleveland in 1945, and I think I remember there was an indictment.

Q. You testified, in any event, before a grand jury in Cleveland in 1945? A. I did. I testified before the grand jury in Cleveland, and to the best of my recollection it was in 1945 (M. App. Vol. II, p. 511).

* * * * *

Q. Well, suppose you tell us as best you can presently recall, the negotiations between you and Mr. Cox, either with or without Mr. Smith participating in them, from then until your minds met on the fact that there was going to be a settlement and disposition of this litigation? A. I believed it is my recollection that I brought Mr. Smith in and introduced him to Mr. Cox, so that Mr. Smith could explain to Mr. Cox factors regarding his business; and I also recall that we dickered as to price. I asked $125,000 and Mr. Cox countered with $75,000. This was after he had

talked to Mr. Smith, I believe. And we then in negotiations worked toward each other until I got down to $110,000 and Mr. Cox got up to $90,000, and I believe that there Mr. Cox stopped—and as I understand it, I am allowed to tell now what happened up to the time the agreement was consummated?

Q. Yes; I am trying to get one way or another that whole picture, if you will, please. A. And then I offered to come down to $100,000 if Mr. Cox would meet me, and that he would not agree to that unless there was some added inducement, and that he finally said he would, in effect, come up to $100,000, that is, he would pay $10,000 more than the $90,000 if the Hill patent were broadly sustained. That is my recollection.

Q. Was Mr. Cox, in that statement about coming up to $100,000, any more definite about what he meant by "broadly sustained" than just the words you have used? A. I don't think so at first, but we did negotiate on that added $10,000.

Q. Well, this matter of contingency on the basis of the Hill patent being broadly sustained, which you brought in now, was to apply only to the $10,000, or was it to apply to the whole $100,000? A. $10,000. I also recall discussing with him the form in which payments should be made. I guess you have that reflected in what you call the bank agreement.

* * * * *

Q. You had undoubtedly some negotiations about that. It was a fairly complicated agreement, was it not? A. It was.

Q. Not the ordinary type of settlement agreement you have in patent infringement cases? A. I think that is a correct statement (p. 579).

* * * * *

The Court: You mean that Mr. Cox got up a draft of it and submitted it to you and then you had to argue it?

The Witness: I think that is what happened. We sat down and discussed it (M. App. Vol. II, p. 579).

• • • • •

Q. Mr. Seward, referring to your affidavit of January 11, 1930, in the Simplicator case, who wrote that affidavit? A. I did. Who wrote it?

Q. Yes, who prepared it? A. I dictated it.

Q. Was Mr. Cox present when you dictated the affidavit? A. Yes.

Q. Did you and he discuss the contents of the affidavit before you commenced to dictate it? A. Yes (M. App. Vol. II, p. 604).

• • • • •

Q. You attended the entire trial of the Arlac case, did you, in Pittsburgh? A. Yes (M. App. Vol. II, p. 605).

Q. Do you recall, Mr. Seward, any circumstance in March of 1928 where you communicated with Mr. Smith with regard to some attempts of the Department of Justice to get in touch with him? A. I recall one instance, and I believe it was in the spring of 1928.

Q. Tell us what you recall about that. A. I recall an agent of the Department of Justice coming to my office, identifying himself, and asking me some questions about the settlement of the case——

Q. Referring to the Hesco case? A. The case of Dick v. Hesco.

Q. Did he also ask about the New Jersey case? A. I don't remember.

Q. Did you write to Mr. Smith in regard to your interview with this Department of Justice Agent? A. Yes.

Q. Have you recently re-read the correspondence in connection with this matter? A. Yes.

• • • • •

Q. Do you recall any circumstances which led you to write that letter to Mr. Smith, Amicus Curiae Exhibit 139? A. The visit of the agent of the Department of Justice.

Q. In this letter, Amicus Exhibit 141, Mr. Seward, you say to Mr. Smith, "It seems to me there is nothing to be concealed from the agent of the Department of Justice except as you may wish to keep secret your private affairs, such as amount of money received, and so on".

Q. Mr. Seward, did Mr. Smith ask you to keep him posted from time to time on the progress of the Simplicator case? A. I don't recall whether he did or not. I should expect that he did.

Q. The outcome of the Simplicator case was of some importance to Mr. Smith under the contract Amicus Exhibit 1, was it not? A. Yes.

Q. He had in a sense a $10,000 stake in that case not resulting in the Hill patent being held invalid for prior use? A. With respect to the broad claims of the Hill patent.

• • • • •

Q. Will you state what significance to Mr. Smith the Calhoun prior use matter had at that time? A. If the broad claims of the patent had been held invalid on the ground of the Calhoun prior use, then the additional $10,000 would not have been payable to Mr. Smith.

Q. Then, as you viewed it, it was important from Mr. Smith's standpoint that the Dick Company defeated the Calhoun prior use? A. Yes.

Q. The same thing was true later on when the matter of Mr. Smith's work came up in the motion to reopen

the Simplicator case. Is that correct? A. I think so (M. App. Vol. II, pp. 604-608).

* * * * *

Q. All right, the amount of payment.

Q. Do you as a lawyer think that it was important to a proper determination of the Arlac case for the Court, in considering the testimony of Mr. Smith, to know that he had a $10,000 interest in the outcome of that case?

Mr. Horsky: Objection.

The Court: Objection sustained. That is something for me to pass on.

Q. Who was in charge of the Arlac and Simplicator cases on behalf of Dick when you were working on them, particularly in the period when the Smith testimony was taken and a motion to reopen the Simplicator case was made? A. Mr. Archibald Cox.

Q. He made, all decisions on policy in the case, did he? A. So far as I know.

Q. Did you ever discuss with Mr. Cox whether or not the Court in those cases should know of Mr. Smith's interest in the outcome of them in weighing his testimony? A. I do not think so.

Q. Is it correct to say, Mr. Seward, that in January, 1930, the Dick Company since the agreement of 1927 has had no connection or contact with or control over Smith whatsoever?

Mr. Horsky: Objection.

The Court: Sustained.

Q. In January 1930, do you consider that the Dick Company by reason of the $10,000 contingency in the Smith contract had any control over Mr. Smith?

Mr. Horsky: Objection.

The Court: Sustained (M. App. Vol. II, pp. 611-612).

• • • • •

Excerpts From Deposition of Joseph W. Rowe, Taken in Dick v. Arlac Case on January 6, 1933.[8]

By Mr. Rowe:

Q32. When your agent was sued in New York, and when you were sued—when your company was sued in New Jersey, did you investigate, or have your attorneys investigate the strength of your defense against the Hill patent? (p. 340).

Mr. Cox: Wait a minute, Mr. Rowe. That whole line of examination is objected to, not only on the general ground heretofore stated, namely, that it relates to matters which are not open for investigation here, but also on the ground that it is wholly immaterial what investigations the witness or his attorneys made.

A. We made some investigation, I believe, that was the time Mr. McChristie came into the case (p. 341).

Q34. Did you, after that investigation, enter into a settlement agreement with the A. B. Dick Company, where the suits were dropped, and your company took a Consent Decree under the Hill patent? (p. 341).

Mr. Cox: Same objections.

A. We did (p. 341).

Q35. Did you receive a substantial consideration in connection with that settlement? A. I do not think that is

8. A. C. Ex. 10, Stip. I, between the parties, plaintiff and defendant to this action (pp. 335-362).

anybody's business: that is a personal matter of mine, irrelevant to the case.

Q36. Do you decline to answer?

> Mr. Cox: One minute. That is objected to for the reasons already stated and the witness is informed that if he regards that as his private business, he need not answer unless its relevancy or materiality is made plain by some foundation or otherwise (p. 341).

Q37. Do you decline to answer the question Mr. Rowe? A. I do.

Q38. Did you, in connection with that settlement with the A. B. Dick Company enter into an agreement by which you were to receive payments at any future time from the A. B. Dick Company?

> Mr. Cox: Same objection.

A. Same negative reply.

Q39. Do you decline to answer that? A. I decline to answer that (pp. 341-342).

Excerpts From Testimony of Joseph W. Rowe, Called as a Witness in Behalf of Amicus Curiae in the Present Proceeding.

Q. What was the financial condition of your company in, oh, say July of 1927? A. Well, we weren't too strong financially • • • (M. App. Vol. II, p. 621).

• • • • •

Q. Do you recall, Mr. Rowe, at what point the negotiations opened with the Dick Company with regard to the settlement of your controversy with them which led to

the agreements which you produced this morning? A. I don't recollect dates at all.

The Court: Well, you remember there was a time when the paper was signed?

The Witness: I do, your Honor.

The Court: About how long before the signing of the paper was the negotiation begun?

The Witness: It is a matter of record, I think. I don't recollect how long it was. It is all past my best memory.

Q. Do you have any records that would indicate that? A. I do not, only this agreement that I have got with the Dick Company.

Q. Those agreements are dated August 1, 1927. A. Well, it must have been a short time before that then.

Q. How were those negotiations which led to the contracts, Exhibits 5 and 6, opened? Do you remember? A. I was invited over to Mr. Cox's office with Mr. McChristie.

Q. Who invited you? A. I believe it was Mr. Cox and Mr. McChristie invited me over there.

Q. Did Mr. Cox call you personally? A. No, Mr. McChristie called me.

Q. And told you in substance that Mr. Cox wanted you and he to go over and see him? A. Yes.

Q. Was anyone else present when you got over there? A. Mr. Dick.

Q. Mr. A. B. Dick? A. Right.

Q. Tell us, as you best recall it now, what was said at that conference?

The Court: There was McChristie and Cox and Mr. A. B. Dick and Mr. Rowe there?

The Witness: That is right.

Q. No one else? A. No.

Q. Tell us what you recall about that conference? A. Well, there was some conversation pro and con between Mr. Cox and Mr. Dick and Mr. McChristie, and I believe and I recollect that Mr. Dick asked me if I would take a position as consultant for his company. Do you want me to go on from there?

Q. Yes, I would like to hear all you recall about the conference. A. I said I would. He said, "Well I can make you a very nice offer". I believe Mr. McChristie asked him what that would be, and it was such a I call it a ridiculous offer, and I said, "Come on, Mr. McChristie, let us get out of here. We are wasting time."

Q. What was the offer? A. I think he wanted me to work for him about $5,000 a year, or something like that, as I recollect it.

Q. As a consultant? A. Yes.

Q. What else occurred? You said to Mr. McChristie, "It is ridiculous; let us get out of here". A. I said "Come on, get out of here, we are wasting time."

Q. Then what happened? A. He and Mr. Cox, I believe, went into further conversations and in further conference——

Q. Is this all at the same time? A. Yes, I believe it was all the same afternoon (M. App. Vol. II, pp. 644 646).

Q. Did they go out of the room A. I left the room. McChristie asked me to wait in the outer office for some time.

Q. And he stayed in? A. He stayed in, and then McChristie came in and said, "Rowe, what do you want out of this? And I told him.

Q. What did you tell him? A. I told him I wanted $250,000 spread over a period of about ten years.

Q. For what? A. For my services as a consultant.

Q. How did he explain to you? A. He said I would have to sign an affidavit that we were using the Dick stencil formulas and so forth.

Q. That was part of what you had to do in order to get this money, whatever the amount proved to be? A. Well, I don't know. They were concurrently done. I don't recollect anything further.

Q. At the time of this first conference, had the suit been filed against you over in Newark, the suit against Rowe-Williams in Newark? A. Prior to this conference we are talking about?

Q. Yes. A. I believe it was (M. App. Vol. II, pp. 646-647).

* * * * *

Q. What next transpired after that conference with regard to the settlement of your differences with the Dick Company? You told us you told McChristie you wanted $250,000 and then you left Mr. Cox's offices and went about your business. A. To the best of my recollection what happened was that McChristie got in conference with me and asked me if I would take a lesser amount.

Q. What did you say? A. I told him I would take a certain amount.

Q. What did you tell him you would take? A. I told him I would take $175,000. I believe that was a suggestion of his which I accepted.

Q. What can you remember about your discussion with Mr. McChristie at that time in connection with this amount? A. Well, I wanted it to stretch over a period of ten years, having first made a substantial down payment, as you might say, a portion of which would go to the Rowe-Williams Corporation and the balance to me. That is what was done.

Q. Essentially, to cover all that, you wanted $175,000 then? A. Yes, and I took a $50,000 gamble on the adjudication through the Court of Appeals of the Dick patents.

Q. What do you mean by a $50,000 gamble? A. If the courts sustained the Dick patents, I was to get the extra $50,000.

Q. And if the Dick patents—did you say "patent" or "patents"? A. Patent.

Q. Was that the Hill patent? A. That is the one we were arguing about. I guess it is Hill.

Q. If that patent was invalid, you would not get the $50,000? A. No, I would have gotten $50,000 less. That is, I would have gotten $125,000 instead of $175,000.

Q. So you had a $50,000 stake in the sustaining by the courts of the Hill patent? A. Yes.

Q. That was perfectly clear to you at the time you signed the contract? A. Yes.

Q. So, if I understand you then, the way it worked out you were willing to get $125,000 regardless of what happened to the Hill patent? A. That is correct.

Q. And an extra $50,000 if the Hill patent was sustained, or if it was not held invalid? A. That is correct.

Q. What did the $50,000 have to do with your consulting services? A. Well, I don't know. It was simply a case where the Dick Company wanted to protect themselves for $150,000.

Q. What did that have to do with the value of your services as a consultant? A. I don't know.

Q. What that really was, was $175,000 for the settlement of your litigation. Is that right? A. Not exactly. They went concurrently. I considered my services as a consultant worth something.

Q. How much of the $175,000 did you attribute to the value of your services over ten years as a consultant and what part did you attribute to the litigation phase of the settlement? A. I didn't attribute anything. I wanted $175,000 for my services for a period of ten years.

Q. You wound up with $125,000 plus $50,000 if the Hill patent were not held invalid. A. That is correct.

Q. Did you ever render any consulting services to Dick in that period of ten years? A. I did not.

Q. Did they ever call on you for any services? A. They did not (M. App. Vol. II, pp. 648-650).

* * * * *

Q. Did you tell the other stockholders of Rowe-Williams, Incorporated about the fact that you were getting $165,000 in this settlement with Dick? A. No, I didn't.

* * * * *

Q. What did you tell them in connection with the settlement? A. I did not tell them anything. I just paid them for the stock they put in the business.

Q. Didn't they wonder where you were getting the money? A. They didn't question it.

Q. You were not too well fixed at that particular time, that is before the settlement, were you, Mr. Rowe? A. No——

Q. You were struggling along pretty hard, weren't you? A. Yes, I was struggling along.

Q. You had quite a few debts? A. The Rowe-Williams Company did.

Q. How about you personally? A. No.

* * * * *

Q. Did you say anything along the line to your fellow directors of the Rowe-Williams Company that $10,000 was all that you could get out of the Dick Company for the settlement? A. I don't recollect any such remark.

Q. Do you remember reporting to the board of directors of the matter of the settlement at all? A. I do not.

Q. Is it your impression that by the time the settlement actually transpired, you had already acquired all of the stock? A. I don't recollect whether I had or not (M. App. Vol. II, p. 651).

• • • • •

The Court: You cleaned up everything with the stockholders so that when you signed that agreement, you had had them all come up with their stock, hadn't you?

The Witness: Yes.

The Court: That is what you told us this morning, that the Dick Company would not go through with the deal unless you had all the stock, and you went out and got the stock?

The Witness: Yes.

The Court: Well, it looks to me as though you told them you were getting $10,000 and they never had any idea you were getting a penny more.

The Witness: I was getting more because——

The Court: You didn't tell them anything about that, did you?

The Witness: I did not (M. App. Vol. II, p. 652).

• • • • •

Q. Mr. Rowe, will you turn to your copy of the agreement between the Rowe-Williams Company and yourself and the Dick Company, dated August 1, 1927. That is the $10,000 agreement. Turn to paragraph 2. Did you perform the requirements of that clause? A. There were no materials left over. I cleaned out my factory entirely.

Q. Did you and your company perform all of the obligations attaching on you under this agreement, Exhibit 5, and your personal agreement, Exhibit 6? A. I guess we had to (M. App. Vol. II, 654).

Q. Did you ever give anybody a copy of your two contracts, Exhibits 5 and 6 here? A. I did not * * * (M. App. Vol. II, p. 657).

* * * * *

Q. Mr. Rowe, in the testimony you gave in the Arlac case this appears:

"Q35. Did you receive a substantial consideration in connection with that settlement?

* * * * *

"A. I do not think that is anybody's business. That is a personal matter of mine irrelevant to the case.

"Q36. Do you decline to answer?

> "Mr. Cox: One minute. That is objected to for the reasons already stated and the witness is informed that if he regards that as his private business, he need not answer unless its relevancy and materiality is made plain by some foundation or otherwise.

"Q37. Do you decline to answer the question? A. I do.

"Q38. Did you in connection with that settlement with the A. B. Dick Company enter into an agreement by which you were to receive payments at any future time from the A. B. Dick Company?

> Mr. Cox: Same objection.

"A. Same negative reply.

"Q39. Do you decline to answer that? A. I decline to answer that" (M. App. Vo. II, pp. 658-659).

* * * * *

By the Court:

Q. Why did you refuse to answer the question which read "Did you in connection with that settlement with the A. B. Dick Company enter into an agreement by which you were to receive payments at any future time from the A. B. Dick Company? A. I believe there was an objection there by my counsel.

• • • • •

Excerpts From Deposition of A. B. Dick, Senior, Taken in Dick v. Arlac Case on December 31, 1929.[9]

Mr. Brown:

Q31. Was the settlement agreement with the H. E. Smith in writing? A. Yes.

Q32. Will you allow us to examine it? A. * * * Under advice of counsel, therefore, I decline to answer or to produce the paper (p. 224).

Q40. H. E. Smith received a substantial consideration for this settlement, did he not? (p. 226).

• • • • •

> Mr. Cox: I object to that, and to this whole line of testimony as entirely immaterial and relating to private transactions, having nothing to do with this case (p. 226).

A. I do not feel inclined to answer on that line of inquiry.

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9. A. C. Ex. 10, Stip. I, pp. 340-342, 353.
A. C. Ex. 15, Stip. II, dealings with the proceedings in 1948 and 1949 in the *Heyer* case.

Q127. Will you state whether or not your company is at the present time paying Joseph W. Rowe for any services or for any contractual obligation on his part? (p. 248).

Mr. Cox: The same objection and the same instruction (p. 248).

A. The same answer.

Q128. Is your company at the present time paying Harry E. Smith for any services or any contractual relation? A. We are not.

Excerpts From Interrogatories Propounded to Dick in the Dick v. Marr Case. Answers Sworn to by A. B. Dick Senior.[10]

Interrogatory #12. If the agreement referred to in the preceding interrogatory was in writing, produce and identify a copy of said writing.

Answer #12. The plaintiff objects to producing a copy of the agreement with the H. E. Smith Company for reasons stated in its objections thereto.

Interrogatory #15. State if it is not a fact that at a time subsequent to an investigation of the claim, that the H. E. Smith Company had manufactured Hesco stencils as early as 1913-1914, the A. B. Dick Company paid to Rowe-Williams Incorporated, and/or Joseph W. Rowe, or representatives of said parties, a valuable consideration upon the condition, that Rowe-Williams Incorporated, and Joseph W. Rowe, would submit to a decree finding validity and infringement in the suit then pending or in prospect in the District Court of New Jersey against Rowe-Williams Incorporated and Joseph W. Rowe.

10. Interrogatories printed M. App. Vol. I, pp. 73-83. Answers printed M. App. Vol. I, pp. 86-97.

Answer #15. As to "investigation", the plaintiff respectfully refers to its answers to the foregoing interrogatories.

A. B. Dick Company made an agreement with Rowe-Williams Incorporated, and Joseph W. Rowe which provided, among other things, that the litigation between them should be disposed of by a decree entered by consent upon the defendants' admission of the validity and infringement of the Hill patent in suit, restraining the infringement thereof. Said agreement had nothing whatever to do with the H. E. Smith Company or any act or claim with it.

Interrogatory #16. If the above agreement was in writing, produce and identify a copy of said writing.

Answer #16. The plaintiff objects to producing a copy of the agreement, for reasons indicated in its objections to the interrogatory and particularly because the terms of said agreement are immaterial and irrelevant and concern matters affecting only the parties to the agreement which the plaintiff should not disclose to its competitors.

Interrogatory #33. Is it not a fact that Joseph W. Rowe at the present time is being paid the sum of Ten Thousand ($10,000.00) Dollars per year by the A. B. Dick Company?

Answer #33. Plaintiff objects to Interrogatory #33, as relating to a matter which is not material and relevant in the present case, and concerns only the plaintiff and Joseph W. Rowe.

Interrogatory #34. If the answer to the above interrogatory is in the negative, state what amount, if any, is being paid to the said Joseph W. Rowe, and state when such payments first began.

Answer #34. Plaintiff objects to Interrogatory #34 for the reasons stated in connection with Interrogatory #33.

Dick's Objections to Marr's Interrogatories.[11]

"They call for the production to a competitor of an agreement and correspondence with a third party relating to matters affecting only the plaintiff and said party and not in any wise affecting the defendant or this cause. The ultimate fact that the litigation between the plaintiff and said third party was settled by a consent decree (which fact is introduced by the defendant and not by the plaintiff) is admitted. The defendant's suggestion that the agreement or correspondence was based on an alleged prior use is negatived by the answers to the other interrogatories. These interrogatories thus represent only an effort of a competitor to pry into all details of the relations between the plaintiff and a third party which have no bearing upon the validity or infringement of the patent in suit and should not be disclosed. Are objectionable for reasons indicated in connection with the group of interrogatories just mentioned. The answer to the other interrogatories and particularly No. 14, makes it entirely plain that there is no possible excuse for prying into the relations between the plaintiff and the parties mentioned in this group of interrogatories."

11. Printed M. App. Vol. I, pp. 84-85.

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No. 344

Supreme Court of the United States

OCTOBER TERM, 1952

JAMES MARR, d.b.a. MARR DUPLICATOR COMPANY,
Petitioner,

v.

A. B. DICK COMPANY.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

CHARLES A. HORSKY,
WILBUR R. LESTER,
Counsel for Respondent

BRUCE BROMLEY,
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Of Counsel

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